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Annual Securities Report

Milbon Co., Ltd.

E01039

The 66th Fiscal Year (from January 1, 2025 to December 31, 2025)

Annual Securities Report (“Yukashoken Hokokusho”)

1. This document is an electronic report of the Annual Securities Report based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act, which was submitted using the Electronic Disclosure for Investors’ NETwork (EDINET) provided for in Article 27, Paragraph 30-2 of the same Act, and was printed with an added table of contents and page numbers.
2. This document includes, at the end, the audit report attached to the Annual Securities Report submitted in the manner described above and the internal control report (in Japanese only) and confirmation document (in Japanese only) submitted in conjunction with the Annual Securities Report described above.

Milbon Co., Ltd.

Table of Contents

	Page
Annual Securities Report (“Yukashoken Hokokusho”) for the 66th Fiscal Year	
Cover	1
Part 1 Company Information	2
I. Overview of Company	2
1. Key Financial Data	2
2. History	4
3. Business Description	6
4. Subsidiaries and Other Affiliated Entities	7
5. Employees	8
II. Overview of Business	9
1. Management Policy, Business Environment, Issues to Address	9
2. Sustainability Approach and Initiatives	12
3. Business Risks	23
4. Management Analysis of Financial Position, Operating Results and Cash Flows	30
5. Critical Contracts, etc.	35
6. Research and Development Activities	36
III. Information about Facilities	38
1. Overview of Capital Expenditures	38
2. Major Facilities	38
3. Planned Addition, Retirement, and Other Changes of Facilities	39
IV. Information about Reporting Company	40
1. Company’s Shares, etc.	40
2. Acquisition and Disposal of Treasury Shares	45
3. Dividend Policy	47
4. Corporate Governance	48
V. Financial Information	73
1. Consolidated Financial Statements, etc.	74
2. Financial Statements, etc.	108
VI. Outline of Share-Related Administration of Reporting Company	122
VII. Reference Information of Reporting Company	123
1. Information about Parent of Reporting Company	123
2. Other Reference Information	123
Part 2 Information about Reporting Company’s Guarantor, etc.	124
Independent Auditor’s Report	
Internal Control Report (in Japanese only)	
Confirmation Letter (in Japanese only)	

Cover

[Document Submitted]	Annual Securities Report (“Yukashoken Hokokusho”)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director-General, Kinki Local Finance Bureau
[Date of Submission]	March 27, 2026
[Accounting Period]	The 66th Fiscal Year (from January 1, 2025 to December 31, 2025)
[Company Name]	Kabushiki Gaisha Milbon
[Company Name in English]	Milbon Co., Ltd.
[Position and Name of Representative]	Hidenori Sakashita, President and CEO
[Location of Head Office]	2-3-35, Zengenji-cho, Miyakojima-ku, Osaka City, Osaka
[Phone No.]	06-6928-2331 (main)
[Contact for Communications]	Shinichiro Hyogo, Executive Officer, in charge of Corporate Communication and Finance
[Nearest Contact]	Kyobashi Edogrand, 2-2-1 Kyobashi, Chuo-ku, Tokyo
[Phone No.]	03-3517-3915 (main)
[Contact for Communications]	Shinichiro Hyogo, Executive Officer, in charge of Corporate Communication and Finance
[Place Where Available for Public Inspection]	Head Office, Milbon Co., Ltd. (Kyobashi Edogrand, 2-2-1 Kyobashi, Chuo-ku, Tokyo) Nagoya Branch, Milbon Co., Ltd. (3-19-8 Sakae, Naka-ku, Nagoya City, Aichi) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part 1 Company Information

I. Overview of Company

1. Key Financial Data

(1) Consolidated Financial Data, etc.

Fiscal Year		62nd	63rd	64th	65th	66th
Year End		Dec. 2021	Dec. 2022	Dec. 2023	Dec. 2024	Dec. 2025
Net sales	(thousand yen)	41,582,267	45,238,377	47,762,432	51,316,414	52,863,291
Ordinary income	(thousand yen)	7,158,440	7,829,279	5,586,650	6,968,427	5,455,712
Profit attributable to owners of parent	(thousand yen)	5,109,288	5,577,274	4,001,627	5,017,568	3,437,911
Comprehensive income	(thousand yen)	5,754,382	6,253,306	4,657,169	5,681,791	5,022,415
Net assets	(thousand yen)	40,197,181	43,991,750	45,932,297	48,817,089	49,058,760
Total assets	(thousand yen)	48,238,490	52,760,387	53,391,872	58,899,055	57,801,771
Net assets per share	(yen)	1,236.41	1,352.52	1,411.56	1,499.20	1,543.67
Basic earnings per share	(yen)	157.17	171.49	122.99	154.12	106.26
Diluted earnings per share	(yen)	-	-	-	-	-
Equity ratio	(%)	83.3	83.4	86.0	82.9	84.9
Return on equity	(%)	13.4	13.2	8.9	10.6	7.0
Price earnings ratio	(times)	36.3	33.4	30.0	22.7	22.9
Cash flows from operating activities	(thousand yen)	6,636,823	5,008,008	4,765,687	7,625,859	5,383,960
Cash flows from investing activities	(thousand yen)	(3,995,279)	(3,865,221)	(3,109,692)	(2,531,118)	(3,014,300)
Cash flows from financing activities	(thousand yen)	(1,919,749)	(2,578,462)	(2,797,765)	(2,862,086)	(4,865,034)
Cash and cash equivalents at end of period	(thousand yen)	13,312,634	12,258,237	11,292,078	13,778,584	11,513,601
Number of employees	(persons)	1,038	1,097	1,140	1,188	1,237

(Notes) 1. Diluted earnings per share is not shown since there are no dilutive shares.

2. “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022), etc., have been applied from the beginning of the current fiscal year. This has no impact on the key financial data, etc.

(2) Financial Data, etc., of Reporting Company

Fiscal Year		62nd	63rd	64th	65th	66th
Year End		Dec. 2021	Dec. 2022	Dec. 2023	Dec. 2024	Dec. 2025
Net sales	(thousand yen)	39,237,623	41,780,945	42,520,224	45,598,486	46,970,420
Ordinary income	(thousand yen)	6,928,387	7,959,986	4,906,452	6,385,164	5,523,093
Profit	(thousand yen)	4,986,323	5,533,885	3,233,267	4,775,194	3,082,531
Capital stock	(thousand yen)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total number of issued shares	(shares)	33,117,234	33,117,234	33,117,234	33,117,234	32,305,534
Net assets	(thousand yen)	38,128,794	41,249,787	41,444,776	43,131,689	41,831,486
Total assets	(thousand yen)	45,721,261	49,508,428	48,400,863	52,567,492	49,798,294
Net assets per share	(yen)	1,172.79	1,268.22	1,273.65	1,324.60	1,316.26
Dividend per share (Interim dividend per share)	(yen)	68.00 (30.00)	86.00 (40.00)	88.00 (40.00)	88.00 (40.00)	88.00 (40.00)
Basic earnings per share	(yen)	153.38	170.16	99.37	146.68	95.27
Diluted earnings per share	(yen)	-	-	-	-	-
Equity ratio	(%)	83.4	83.3	85.6	82.1	84.0
Return on equity	(%)	13.6	13.9	7.8	11.3	7.3
Price earnings ratio	(times)	37.2	33.6	37.2	23.9	25.6
Dividend payout ratio	(%)	44.3	50.5	88.6	60.0	81.2
Number of employees	(persons)	810	842	870	904	941
Total shareholder return (Comparison indicators: Dividend Included TOPIX)	(%)	87.8 (112.7)	89.4 (110.0)	59.9 (141.1)	58.4 (169.9)	43.4 (213.2)
Highest share price	(yen)	7,270	6,480	5,870	3,791	3,510
Lowest share price	(yen)	5,510	4,220	3,247	2,815	2,303

(Notes) 1. Diluted earnings per share is not shown since there are no dilutive shares.

2. Highest and lowest share prices are those recorded on the Prime Market of the Tokyo Stock Exchange from April 4, 2022, while those recorded on the First Section of the Tokyo Stock Exchange before that date.

3. “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022), etc., have been applied from the beginning of the current fiscal year. This has no impact on the key financial data, etc.

2. History

Month / Year	Overview
July 1960	Established Yutaka Beauty Chemicals Co., Ltd. in Higashi-yodogawa-ku, Osaka City, for the purpose of manufacturing and selling cosmetic products (cold wave perm solutions, shampoos, etc.). A factory was also built at the same location.
September 1963	Transferred the head office in Higashi-yodogawa-ku, Osaka City to Higashi-sumiyoshi-ku, Osaka City and shutdown the factory. Established Kire Factory in Higashi-sumiyoshi-ku, Osaka City.
January 1965	Changed trade name to Milbon Co., Ltd. Transferred the head office to Asahi-ku, Osaka City in the next month.
February 1969	Established Ueno Dai-Ichi Factory in Ueno City, Mie (currently Iga City, Mie), and shutdown Kire Factory.
May 1970	Opened Tokyo Branch in Minato-ku, Tokyo.
October 1975	Established Ueno Dai-Ni Factory in Ueno City, Mie (currently Iga City, Mie).
June 1979	Opened Osaka Branch in Miyakojima-ku, Osaka City, and established Osaka Studio in the same location.
July 1980	Transferred Tokyo Branch to Shinjuku-ku, Tokyo, and established Tokyo Studio in the same location.
July 1982	Opened Nagoya Branch in Naka-ku, Nagoya City, and established Nagoya Studio in the same location.
March 1984	Established Training Center in Miyakojima-ku, Osaka City.
April 1984	Started Field Person Strategy (first term employees were hired).
March 1987	Started Milbon's proprietary TAC Product Development System.
March 1991	Transferred Training Center to Joto-ku, Osaka City.
October 1992	Established Aoyama Factory in Aoyama-cho, Naga-gun, Mie (currently Iga City, Mie).
April 1993	Launched NIGELLE to create natural design.
June 1996	Registered shares as over-the-counter securities at Japan Securities Dealers Association.
April 1997	Transferred head office to Miyakojima-ku, Osaka City. Renovated the former head office and established Central Research Institute.
April 1998	Transferred Tokyo Branch from Shibuya-ku, Tokyo to Shinjuku-ku, Tokyo
October 1998	Launched LISCIO, a hair straightening system using iron technology.
June 1999	Launched DEESSE'S, haircare series that supports colored hair.
May 2000	Established additional factory adjacent to Aoyama Factory in Aoyama-cho, Naga-gun, Mie (currently Iga City, Mie).
July 2000	Listed shares on the Second Section of the Tokyo Stock Exchange.
November 2000	Newly built the Training Center and company dormitory at Joto-ku, Osaka City.
June 2001	Assigned to the First Section of the Tokyo Stock Exchange.
September 2002	Newly built the head office and Central Research Institute buildings and transferred from Asahi-ku, Osaka City to Miyakojima-ku, Osaka City.
March 2004	Established MILBON USA, INC. in New York.
December 2004	Opened MILBON USA, INC. Studio in New York.
July 2005	Established Yumegaoka Factory in Iga City, Mie.
December 2006	Transferred Osaka Branch from Miyakojima-ku, Osaka City to Nishi-ku, Osaka City.
April 2007	Launched a hair color product "ORDEVE" that supports foil placement techniques.
November 2007	Established Milbon Trading (Shanghai) Co., Ltd. in China.
December 2008	Opened Milbon Trading (Shanghai) Co., Ltd. Studio in China.
June 2009	Shutdown Ueno Dai-Ichi Factory in Iga City, Mie.
July 2009	Established Production Technology Development Center in Yumegaoka Factory in Iga City, Mie.
July 2009	Established Milbon Korea Co., Ltd. in South Korea and opened a Studio.
April 2010	Launched a premium brand "Aujua," born from Japanese climate, culture, and hair characteristics.
May 2012	Established MILBON (THAILAND) CO., LTD. in Thailand.
December 2013	Established MILBON (THAILAND) CO., LTD. production factory in Thailand.
March 2015	Opened Tokyo Ginza Branch in Chuo-ku, Tokyo and opened a Studio.
June 2016	Launched "milbon," a premium brand of 360 Degree Beautiful Hair.
September 2016	Shutdown Aoyama Factory in Iga City, Mie.
November 2016	Established additional factory adjacent to Yumegaoka Factory in Iga City, Mie.

Month / Year	Overview
July 2017	Established KOSÉ MILBON COSMETICS CO., LTD. (currently affiliate accounted for by the equity method) jointly with KOSÉ Corporation.
November 2017	Upgraded the premium brand “Aujua.”
November 2017	Transferred head office from Miyakojima-ku, Osaka City to Chuo-ku, Tokyo.
December 2017	Changed settlement day from December 20 to December 31.
September 2018	Established MILBON MALAYSIA SDN. BHD. in Malaysia.
October 2018	Established MILBON VIETNAM CO., LTD. in Vietnam.
April 2019	Launched “iMPREA,” a premium cosmetics brand exclusive to hair salons
October 2019	Established MILBON SINGAPORE PTE. LTD. in Singapore.
January 2020	Established Milbon (Zhejiang) Cosmetics Co., Ltd. in China.
July 2021	Transferred Tokyo Aoyama Branch from Shibuya-ku, Tokyo to Minato-ku, Tokyo
April 2022	Established Milbon Europe GmbH in Germany.
September 2025	Closed Training Center and company dormitory at Joto-ku, Osaka City and transferred them to Odawara City, Kanagawa.

(Note) Studios are training venue for stylists.

3. Business Description

The Group consists of the Company, nine subsidiaries, and one affiliate, and is mainly engaged in the manufacture and sale of cosmetic products, as well as related services.

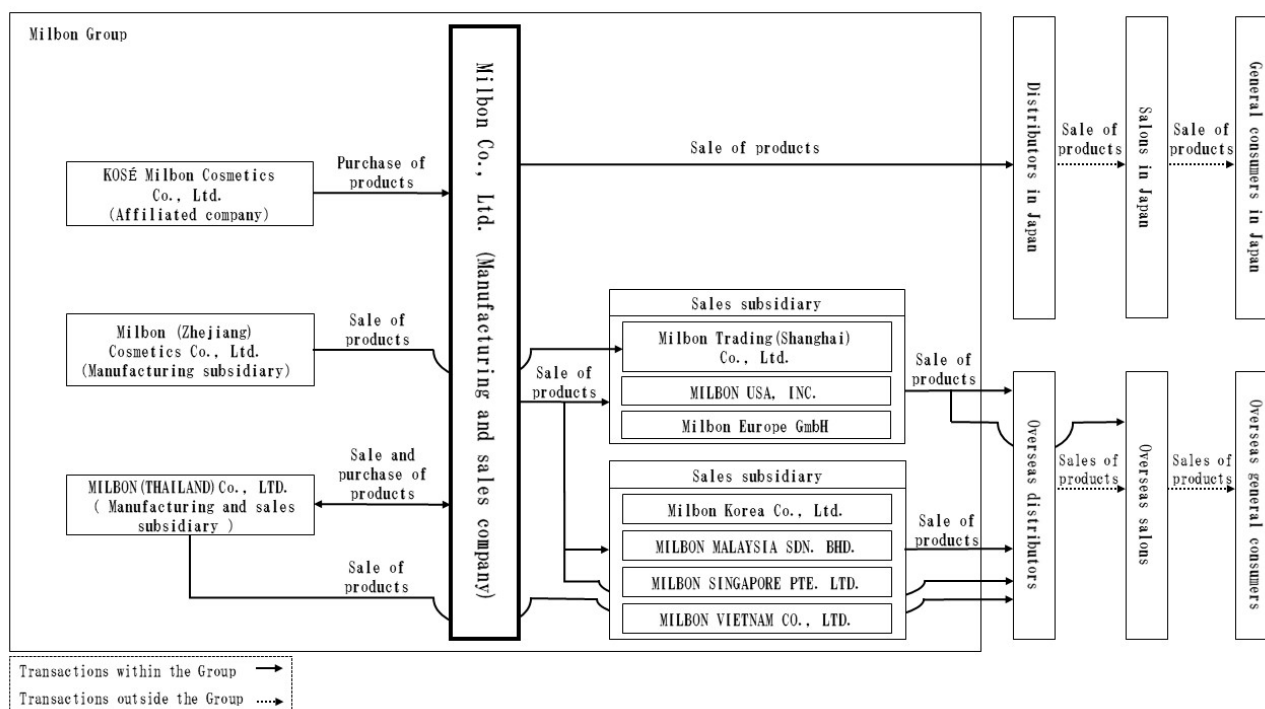
The Group's business is not described in terms of segments, as it consists of the above-mentioned single segment.

The Group classifies the products it manufactures or handles into the following five categories.

Category	Major items
Haircare products	Shampoo, hair treatment, hair tonic, hair cream, liquid and foam hairdressing product, set lotion, hair spray
Hair coloring products	Oxidative hair dye, acid hair dye, hair dye, hair bleach
Permanent wave products	Thioglycolic acid-based permanent wave product Cysteine-based permanent wave product, hair straightening product
Cosmetic products	Skincare, make-up cosmetics
Other	Health food, beauty equipment, etc.

The following diagram shows the positioning of the Milbon Group companies and the Group's businesses.

(Diagram of business activities)



(Note) Overseas transactions differ in sales channels depending on the country.

4. Subsidiaries and Other Affiliated Entities

Company name	Location	Capital stock or capital contribution	Main business	Share of voting rights percentage	Relationship with the Company
(Consolidated subsidiary) MILBON USA, INC. (Note 1)	United States New York	USD 2 million	Sale of hair products	100.0	Sells the Company's hair products in the U.S.
(Consolidated subsidiary) Milbon Trading (Shanghai) Co., Ltd. (Note 1)	China Shanghai City	JPY 430 million	Sale of hair products	100.0	Sells the Company's hair products in China. Two executives hold concurrent posts at the Company.
(Consolidated subsidiary) Milbon Korea Co., Ltd. (Notes 1, 2)	South Korea Seoul City	KRW 3,000 million	Sale of hair products	100.0	Sells the Company's hair products in South Korea. Three executives hold concurrent posts at the Company
(Consolidated subsidiary) MILBON (THAILAND) CO., LTD. (Note 1)	Kingdom of Thailand Rayong Pref.	THB 450 million	Manufacture and sale of hair products	100.0	Manufactures and sells the Company's hair products in Thailand.
(Consolidated subsidiary) MILBON MALAYSIA SDN. BHD.	Malaysia Kuala Lumpur	MYR 1.5 million	Sale of hair products	100.0	Sells the Company's hair products in Malaysia.
(Consolidated subsidiary) MILBON VIETNAM CO., LTD. (Note 1)	Vietnam Ho Chi Minh City	VND 69,073.5 million	Sale of hair products	100.0	Sells the Company's hair products in Vietnam.
(Consolidated subsidiary) MILBON SINGAPORE PTE. LTD.	Singapore	SGD 250,000	Sale of hair products	100.0	Sells the Company's hair products in Singapore.
(Consolidated subsidiary) Milbon (Zhejiang) Cosmetics Co., Ltd. (Note 1)	China Zhejiang	CNY 240 million	Manufacture and sale of hair products	100.0	Manufactures and sells the Company's hair products in China. Two executives hold concurrent posts at the Company.
(Consolidated subsidiary) Milbon Europe GmbH (Note 1)	Germany Dusseldorf	EUR 4.5 million	Sale of hair products	100.0	Sells the Company's hair products in Germany.

(Notes) 1. The company falls under the category of "specified subsidiary."

2. Net sales (excluding internal net sales between consolidated companies) of Milbon Korea Co., Ltd. account for more than 10% of consolidated net sales.

Main profit and loss information, etc.	(1) Net sales	5,503,508 thousand yen
	(2) Ordinary income	514,631 thousand yen
	(3) Profit	405,277 thousand yen
	(4) Net assets	3,115,408 thousand yen
	(5) Total assets	3,741,892 thousand yen

3. In addition to the companies noted above, the Group has one equity-method affiliate.

5. Employees

(1) Consolidated Companies

As of December 31, 2025

Number of employees
1,237

- (Notes)
1. The number of employees refers to full-time employees and does not include 45 part-time employees, 22 associate employees, and three part-time workers.
 2. The Group is composed of a single segment, the manufacture and sale of cosmetics, and therefore, no segment-related information is presented.

(2) The Company

As of December 31, 2025

Number of employees	Average age (years old)	Average length of service (years)	Average annual salary (thousand yen)
941	36.0	11.2	7,583

- (Notes)
1. The number of employees refers to full-time employees and does not include 45 part-time employees, 22 associate employees, three part-time workers, and 35 employees seconded from the Company to subsidiaries and affiliates.
 2. The average annual salary includes bonuses and extra wages.

(3) Status of Labor Union

Although no labor union has been formed, the relationship between labor and management is amicable.

(4) Percentage of female employees in management positions, rate of childcare leave usage by male employees, and gender pay gap among employees

The Company

Current fiscal year				
Percentage of female employees in management positions (%) (Note 1)	Rate of childcare leave usage by male employees (%) (Note 2)	Gender pay gap among employees (%) (Notes 1, 3, 4)		
		All employees	Regular employees	Irregular employees
14.7	58.8	69.8	59.0	71.5

- (Notes)
1. Calculated in accordance with the stipulations of the Act on Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
 2. Childcare leave usage rates as described in Article 71-6, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) were calculated in accordance with the stipulations of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).
 3. "Regular employees" refers to Executive Officers (other than Board Directors) and permanent employees. "Irregular employees" refers to associate employees (employees rehired after reaching retirement age), part-time employees, and fixed-term contract employees.
 4. The gender pay gap among employees is primarily due to the fact that a large number of female employees have short lengths of service due to hiring conditions in recent years, the percentage of people in managerial positions that are women is low, women account for a relatively high percentage of employees with reduced working hours, and other factors. Wage structures and systems are uniformly defined, irrespective of gender or age.

II. Overview of Business

1. Management Policy, Business Environment, Issues to Address

Matters related to future developments that are mentioned in this section are judgments of the Group that were made as of the end of the current fiscal year.

(1) Management policy

The Group is in the business of supporting beautiful lifestyles through hairstylists.

In order to establish long-term relationships of trust with its customers, the Group expresses its promise to them in its corporate statement and the slogan has been established as a symbol of this.

Corporate Statement

To live beautifully.

It's how we approach the world. It's the one, single idea that drives us.

Our hair frames our personal beauty how it's styled, how it feels, how it flows.

It sets the stage for the inner self we radiate. Everyone's hair is unique, and everyone's beauty is, too. Our purpose is to help people find, embrace, and express their individuality to head out into each day confidently and gracefully, and to live vibrantly.

For more than 50 years, professional stylists have been Milbon's partners: we learn from and inspire each other.

What unites us is our passion for transforming everything we touch into something beautiful. Together, we constantly push the boundaries of the global haircare industry.

Together, we help give people the confidence, sophistication, and grace with which they inspire the world.

Corporate Slogan

Find Your Beauty

We believe that the sources of corporate value for the Group are (i) to (iii) below.

(i) Sales capability = Field Person System

The Group has established a unique sales structure to support hair salons and hairstylists. Rather than simply selling products, we listen sincerely to the voices of hair salons and end users, identify issues, and propose solutions. With educational activities for hair salons at the core, we contribute to the increase in sales and profits of hair salons. We call the sales department members who conduct such activities "Field Persons."

In order to develop Field Persons, the Group conducts in-house training programs that last for nine months. In addition to basic beauty techniques such as hair care, coloring, and perms, Field Persons develop various skills such as acquiring a broad knowledge of the beauty industry, business analysis, and planning. This is the Group's unique business model that competitors cannot imitate.

(ii) Product development capability = TAC Product Development System

The Group's unique "TAC (Target Authority Customer) Product Development System" develops beauty software and products while learning from successful hairstylists at hair salons and end users.

Hair salons and hairstylists that are by far the most popular with their customers by theme, such as salons with more hair color customers than other salons, salons with more haircare customers than other salons have successful techniques (philosophy, way of thinking, hair design, and beauty techniques). We standardize these successful techniques so that they can be used in general hair salons, and create products to support them.

(iii) Market strategy = Field Activity System

Growing hair salons exist in any market environment. By concentrating the activities of Field Persons in hair salons that are growing or have great potential for growth, we are developing marketing that allows the Group to grow with them even when market conditions deteriorate.

(2) Medium-Term Management Plan (2022-2026)

Starting from Fiscal Year 2022 (63rd fiscal year), the Group has formulated a Medium-Term Management Plan (2022-2026), “Stage for the Future,” looking ahead to the next future, and announced it on February 10, 2022.

The Group’s mid-term goal is to “become the leading manufacturer in Asia and top 5 in the world by elevating the value of industry professionals in the eyes of consumers and society at large.”

To realize our mid-term goal, in our global strategy, we view the global market as seven regions (Japan, Korea, Chinese cultural sphere, ASEAN, North America, EU, and the Middle East), and as a long-term global strategy, we will work to establish a development and production system for each region, responding to differences in hair quality, culture, and values, and contributing to the development of the local beauty industry.

On the other hand, in the Japanese market, in order to strengthen our business foundation, we will implement “Salon-based Social Innovation,” a reform of the way hair salons should be in response to the times, and will implement the “Beauty Platform Plan,” a new form of hair salon, and the “Sustainability Commitment Five Key Challenges,” centered on the realization of spiritual enrichment through beauty.

The “Beauty Platform Plan” will be achieved through the promotion of the “Smart Salon Strategy,” which creates a place for customer experience that integrates digital and real life, and the “Lifetime Beauty Care Strategy,” which is composed of three care concepts: hair care, skin care, and beauty health care.

We have set the following challenges as “Sustainability Commitment Five Key Challenges” and are working on them: I. Enrich the spirit through beauty, II. Promote recycling in manufacturing and consumption activities, III. Practice people-friendly procurement, IV. Construct a fair and flexible management structure, and V. Realize work environments with enhanced job satisfaction.

Beyond the achievement of these goals, Milbon strives to achieve a sustainable community and society for people to live beautifully, through collaboration with hair salons.

<Mid-term goal>

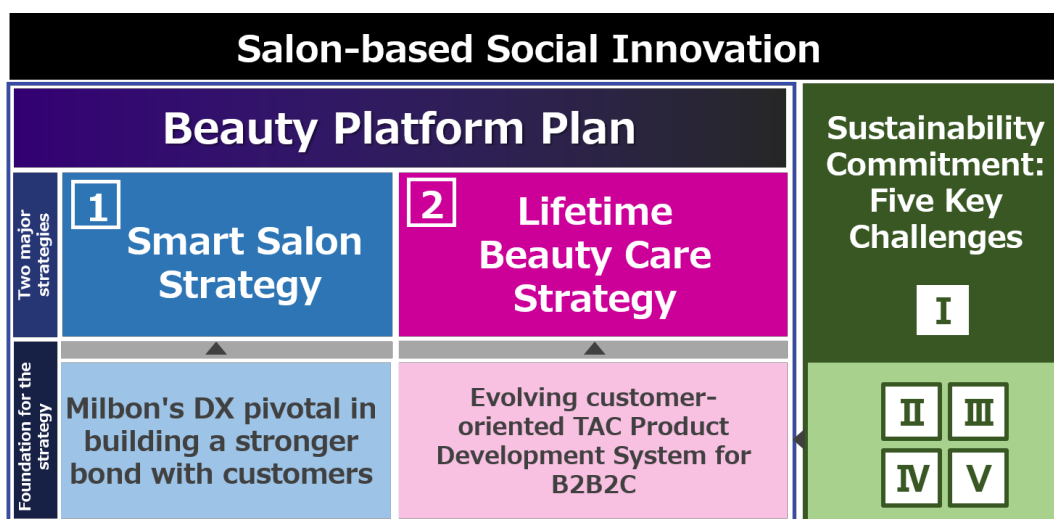
Aim to become the leading manufacturer in Asia and top 5 in the world by elevating the value of industry professionals in the eyes of consumers and society at large.

<Mid-term policy>

Stage for the Future

“Salon-based Social Innovation” × “Sustainability Commitment”

Milbon strives to achieve a sustainable community and society for people to live beautifully, through collaboration with hair salons.



- I. Enrich the spirit through beauty
- II. Promote recycling in manufacturing and consumption activities
- III. Practice people-friendly procurement
- IV. Construct a fair and flexible management structure
- V. Realize work environments with enhanced job satisfaction

(3) Issues to be addressed

We expect the domestic economy to remain on a moderate recovery trajectory. We anticipate continued improvement in employment and income conditions, although persistent inflation may weigh on personal consumption. For overseas markets, including the United States and China, we expect uncertainty to remain elevated, given prolonged inflation in the United States, ongoing conflicts and geopolitical risks, and their potential impact on consumer sentiment.

Under these conditions, the Company will enter the final year of the Medium-Term Management Plan (2022-2026) announced in 2022. During this period, we have experienced various environmental changes both in Japan and overseas. In overseas markets, we have reassessed investment priorities across the seven regions and intensified focused activities, which have helped maintain strong growth momentum. We expect overseas sales to increase by 9.2% year-on-year in the next fiscal year, and our plan positions overseas as the primary driver of sales growth. We also intend to improve profitability across the overseas business.

In the domestic market, hair care products, including the premium brand Aujua and the professional brand Elujuda, continue to deliver stable sales growth, led by take-home products, while addressing the competitive environment for professional-use products, particularly hair color, remains a priority. In the increasingly competitive hair color market, we plan to restore sales by introducing a new high value-added brand. We will also address the expansion of the small mass market by proposing products with value and price points aligned to the target customer, pursuing growth together with salons and distributors. We will enhance efficiency to improve the productivity of our Field Person, including through the use of digital transformation and AI.

At the same time, we will continue to promote initiatives aimed at realizing our Sustainability Commitment Five Key Challenges and work to resolve social issues.

Reflecting significant changes in the cost structure and a substantial shortfall in domestic sales relative to the forecast in the current fiscal year, we have revised down the growth outlook for consolidated net sales and operating income for the following fiscal year, the final year of the Medium-Term Management Plan (2022-2026), compared with the plan. Our targets for Fiscal Year 2026 after revisions are as indicated below.

	Targets for the end of the Plan (FY2026) (before revisions)		Targets for the end of the Plan (FY2026) (after revisions)	
	Amount (million yen)	Composition (%)	Amount (million yen)	Composition (%)
Net sales	58,000	100.0	54,800	100.0
Domestic	43,700	75.3	39,880	72.8
Overseas	14,300	24.7	14,920	27.2
Gross profit	37,600	64.8	34,720	63.4
Selling, general and administrative expenses	29,200	50.3	28,420	51.9
Operating income	8,400	14.5	6,300	11.5
Ordinary income	8,340	14.4	6,180	11.3
Profit attributable to owners of parent	5,940	10.2	4,300	7.8

2. Sustainability Approach and Initiatives

Our approach to sustainability and our sustainability initiatives are as indicated below.

Matters related to future developments that are mentioned in this section are judgments that were made as of the end of the current fiscal year.

(1) Sustainability approach and basic guideline

The Company focuses its business activities on the beauty market, founded in its management philosophy that has been handed down since its founding. We believe that the creation of a sustainable beauty industry will eventually lead to the realization of a sustainable society. Each and every one of us, including executive management, is working toward this goal by thinking and acting toward this realization.

Basic Guideline for Sustainability

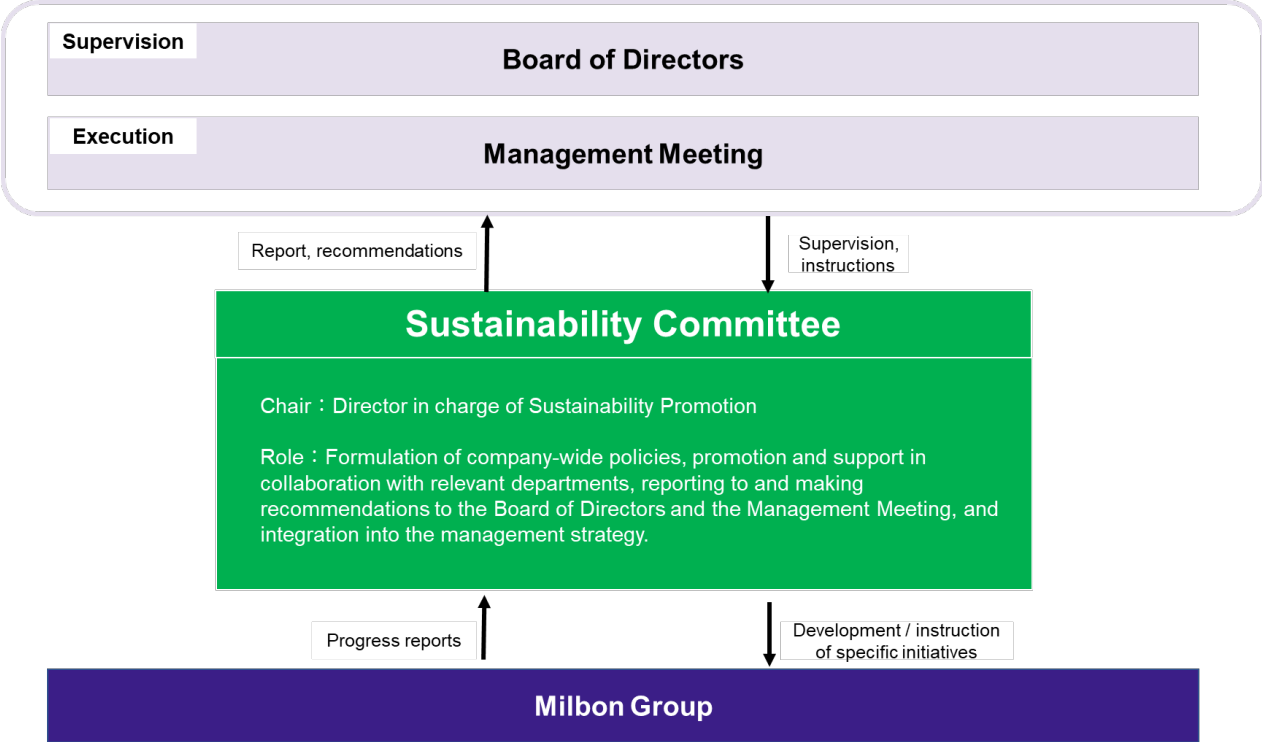
We strive to achieve a sustainable society through our collaboration with haircare professionals.

(2) General sustainability matters

(i) Governance and risk management

The Company views sustainability-related issues as significant business challenge and has put in place a promotion framework for resolving those issues. Specifically, the Sustainability Committee, chaired by the Board Director in charge of Sustainability Promotion, meets once every two months. The Sustainability Committee identifies sustainability-related risks and opportunities and evaluates their impact on the company. Based on this evaluation, it examines and discusses sustainability policies and issues around implementation of related measures with details reported, or submitted for discussion, to the Management Meeting or the Board of Directors as required. The Board of Directors regularly supervises this process, instructing courses of action and adjusting strategy accordingly.

(Sustainability-related governance structure)



(ii) Strategy

1) Defining the “Five Key Challenges (Materiality)”

In the Medium-Term Management Plan (2022-2026) announced on February 10, 2022, we have identified the following “Sustainability Commitment Five Key Challenges,” and we are actively prioritizing those areas with the aim of realizing a sustainable society.

- I. Enrich the spirit through beauty
- II. Promote recycling in manufacturing and consumption activities
- III. Practice people-friendly procurement
- IV. Construct a fair and flexible management structure
- V. Realize work environments with enhanced job satisfaction

2) Process for determining the Five Key Challenges

To determine the Five Key Challenges, we debated the issues that we should promote from three separate perspectives—ISO 26000, the 17 Sustainable Development Goals (SDGs), and environmental, social, and governance (ESG) perspectives—and arranged them within an SDGs/ESG matrix (<https://www.milbon.com/ja/uploads/docs/esg-sdgsmatrix.pdf>) (in Japanese only). The Sustainability Committee played a central role in this process, gathering input from various business divisions, outside experts, and senior management. Subsequently, we reassessed those themes within the matrix to identify those with high relevance to our business activities and those for which stakeholders have high expectations. The Five Key Challenges were then selected based on three areas: solving societal issues, achieving sustainable business growth, and establishing internal foundations. We have designated “Enrich the spirit through beauty,”—one of the Five Key Challenges—as our core issue, labelled Key Challenge I. Providing beauty is not only integral to our business activities, but it also contributes to emotional well-being. We believe that a spiritually enriched society will engender a sustainable society. If Key Challenges IV and V ensure that we can continue to be sustainable, Key Challenges II and III will ensure that the entire supply chain encompassed by our business activity can continue to be sustainable.

(iii) Metrics (KPI) and targets for each of the Five Key Challenges

We have defined priority themes for each of the Five Key Challenges and we have set KPIs and concrete numerical targets for each theme. These KPIs are periodically monitored by the Sustainability Committee to confirm progress toward them. When necessary, the Sustainability Committee also deliberates regarding additions or revisions of KPIs.

Priority themes	KPI	FY2025 Results	2026 Target	2030 Target
I. Enrich the spirit through beauty				
Establishment of knowledge-based product sales business utilizing both the physical and digital realms	Number of registered milbon:iD members	1.04 million	1 million	-
	Number of cities in Japan where Milbon deploys knowledge-based product sales (Smart Salon)	60 cities 83 salons	100 cities 500 salons	-
Fostering lifetime beauty partners	Total number of annual users of our studios, events, and educational videos	225,000	335,000	-
	Number of registered education:iD members	65,000	100,000	-
II. Promote recycling in manufacturing and consumption activities				
Establishment of a carbon-neutral production system	Reduction rate of CO ₂ emissions at Yumegaoka Factory (compared to 2019 levels)	81.4% reduction	75% reduction	Achieve carbon neutrality
Sustainable container and packaging design	Reduction rate of petroleum-derived virgin plastic use (compared to 2020 levels, per unit sales)	16.4% reduction	15% reduction	30% reduction
III. Practice people-friendly procurement				
Sustainable procurement of palm oil	RSPO certified palm oil adoption rate (MB+B&C)	50.8%	50%	100%
Respect for human rights in the supply chain	Number of cases of human rights violations identified	0	Zero human rights violations wherever possible	Zero human rights violations wherever possible
IV. Construct a fair and flexible management structure				
Promoting diversity among the Board of Directors	Appointment of outside board directors	5 (5 out of 12)	Continuously appoint over 1/3 outside board directors	-
	Active appointment of female board members	3 (3 out of 15)	Continuously appoint female board members	-
	Securing diverse skills, including internationality	Number of executives with overseas experience 6 (6 out of 15)	Ensure diverse skills	-
Improving the effectiveness of the Board of Directors	Progress in selecting and improving key challenges though third-party evaluations	Continuing	Conduct continuous improvement activities for setting annual challenges	-

V. Realize work environments with enhanced job satisfaction				
Achieving systems and framework that encourage employees to continue working	Turnover rate of junior employees (new graduates to 3rd year)	12.8%	9%	6%
	Paid leave utilization rate	75.6%	70%	80%
	Progress of engagement survey	Continued to conduct surveys; set key items and targets	Three key indicator fields function as strengths	-

(3) Response to climate change

(i) Governance and risk management

We see climate change as a real risk that will affect our business strategies and financial plans over the medium to long term. We have therefore positioned it as one of the Key Challenges of our Sustainability Commitment.

Within our sustainability-related activities, the Sustainability Committee identifies climate change-related risks and opportunities. The Committee reported its activities to the Management Meeting and the Board of Directors semiannually, and is supervised by the Board of Directors.

(ii) Strategy

In the scenario analysis performed in Fiscal Year 2023 for Milbon Co., Ltd., the standalone core of the Milbon Group, we envisaged temperature rises of 1.5°C and 4°C and examined the risks and opportunities presented by climate change at three points in time—the years 2025 (short-term), 2030 (medium-term), and 2050 (long-term). Scenarios provided by the IPCC and the International Energy Agency (IEA) were used for the analysis. For the 1.5°C temperature rise scenario, we analyzed the impact of changes in policy, regulations, technology, markets, and consumer perceptions associated with a transition to a decarbonized society. For the 4°C temperature rise scenario, we analyzed physical impacts resulting from both acute change (e.g. heavy rainfall, floods) and chronic change (e.g. increases in average temperature, changes in annual rainfall).

Scenario analysis revealed around 40 risks and opportunities for the Company. The impacts of these risks and opportunities for us were evaluated, and responses were determined. Results of scenario analysis showed that we would potentially be significantly impacted by increases in raw material procurement costs under both 1.5°C and 4°C scenarios and would potentially be significantly impacted by an increase in the costs of the company’s own operations under the 1.5°C scenario. The results also showed that progress on promoting recycling in manufacturing and consumption activities and practicing people-friendly procurement, as prescribed in the Five Key Challenges, would help minimize identified risks and capture identified opportunities. In the future, we will regularly monitor actual conditions and strive to reduce risk by developing additional response measures as necessary.

(Results of scenario analysis)

	Description of opportunity-risk	Classification	Time frame	Impact
1.5°C temperature rise scenario				
Raw material procurement	Increase in procurement costs due to the introduction or expansion of carbon pricing applicable to suppliers	Risk	2030	Large
	Increase in procurement costs resulting from land use constraints due to laws and regulations for protecting forests	Risk	2025	Medium
	Increase in procurement costs due to strengthening of laws and regulations relating to raw material traceability	Risk	2030	Medium
Milbon's operations	Increase in operating costs due to the introduction or expansion of carbon pricing applicable to Milbon	Risk	2030	Small
	Increase in energy costs due to rising retail electricity prices	Risk	2030	Medium
	Increase in compliance costs due to more stringent laws and regulations at various worldwide locations	Risk	2030	Medium
	Increase in costs for adapting to a circular economy	Risk	2030	Medium
	Increase in sales due to a rise in competitiveness as a result of the impact of carbon pricing on competitors	Opportunity	2030	Medium
	Decrease in emissions and energy costs due to the introduction of in-house power generation	Opportunity	2030	Medium
Demand for products	Increase in sales of environmentally friendly product	Opportunity	2030	Medium
4°C temperature rise scenario				
Raw material procurement	Increase in the cost of procuring palm oil and other plant-derived raw materials due to climate change	Risk	2050	Large
	Decrease in procurement costs due to initiatives for ensuring stable procurement of raw materials	Opportunity	2030	Medium
Milbon's operations	Increase in costs for repairing damaged manufacturing facilities	Risk	2050	Small
	Decrease in sales due to impacts on deliveries and increase in costs due to damaged inventories as a result of flooding and typhoon damage	Risk	2050	Small

(Envisaged responses)

1.5°C temperature rise scenario		
Raw material procurement	Plant-derived raw materials	<ul style="list-style-type: none"> • Survey procurement channels and traceability in the context of risk related to climate change and the international situation • Investigate efficient procurement and purchasing methods for securing raw materials • Estimate the increase in costs to suppliers due to carbon pricing, investigate passing on costs to product prices, and investigate alternative raw materials • Actively use RSPO certified palm oil. Target 100% use of Mass Balance certified palm oil by 2030
	Containers and packaging materials	<ul style="list-style-type: none"> • Actively use plant-derived plastic and resin-reducing molding methods for packaging of new products with the aim of reducing petroleum-derived virgin plastic use by 30% by 2030 • Research plastic container recycling methods • Estimate the increase in costs of containers and packaging materials due to carbon pricing, investigate passing on costs to product prices, and investigate alternative raw materials
Milbon's operations	Use of our own energy	<ul style="list-style-type: none"> • Estimate the cost of carbon pricing for Scope 1 and 2 emissions using carbon prices under the NZE scenario in WEO 2021, 2022 • Increase the percentage of electricity generated in-house based on projections of rising electricity costs
	Response to laws and regulations	<ul style="list-style-type: none"> • Identify the various regulations and envisage switching to other raw materials or passing on costs to products depending on the impact of rising costs • Secure costs and establish internal systems for adapting to laws and regulations, particularly in the EU
Demand for products	Product development	<ul style="list-style-type: none"> • Develop products that respond to the needs of consumers' daily lives, enhance functionality, and reduce environmental impact
4°C temperature rise scenario		
Raw material procurement	Procurement	<ul style="list-style-type: none"> • Research palm oil alternatives and investigate adapting by altering the existing formula • Estimate fluctuations in the price of procuring palm oil due to climate change • Research raw materials and securing of procurement channels • Ascertain the impact of climate change on each raw material • Survey climate change in countries where principal natural raw materials originate and undertake activities to protect those materials
Milbon's operations	Disaster response	<ul style="list-style-type: none"> • Confirm that insurance will cover repairs to manufacturing facilities damaged in a disaster • Prepare alternative transportation arrangements in readiness for disaster due to concerns about the impact on some logistics warehouses

(iii) Metrics (KPI) and targets for climate change-related initiatives

With regard to the KPI for climate change-related initiatives, activities to minimize the risk of increases in raw material procurement costs, which scenario analysis results indicate would have the largest impact on our business, will continue through efforts to achieve the KPI, which are set out in the Five Key Challenges, of reduction rate of petroleum-derived virgin plastic use and RSPO certified palm oil adoption rate.

To address the risk of increased operating costs due to the introduction of carbon pricing and escalating electricity prices, in addition to our CO₂ emission reduction targets for the Yumegaoka Factory in 2026 and 2030, we have set a goal for the Milbon Group to achieve carbon neutrality by 2050. With regard to the Milbon Group's Scope 1 and 2 emissions, first we will achieve carbon neutrality at Yumegaoka Factory, our manufacturing base and the Japanese business location with the highest CO₂ emissions, by 2030. We will then aim to achieve carbon neutrality across the Milbon Group by 2050.

The Group's emissions calculations cover the entire Group, including overseas locations. Since 2022, we have calculated emissions with 100% coverage across all Scope 1, 2, and 3 emissions.

We will continue our efforts to minimize risk by regularly monitoring the status of initiatives for achieving carbon neutrality and developing measures to address risks.

(Milbon Group's CO₂ emissions results for Fiscal Year 2025 (unit: tons) *market reference)

Scope 1 Coverage: 100% of all locations	1,437
Scope 2 Coverage: 100% of all locations	3,875
Scope 3 Coverage: 100% of all locations	313,204
Total	318,516

(CO₂ emission reduction targets (Scope 1 and 2))

Yumegaoka Factory *compared to 2019 levels	Milbon Group
2026: 75% reduction (achieved)	2050: Carbon neutrality
2030: Carbon neutrality	

(4) Human capital and diversity initiatives

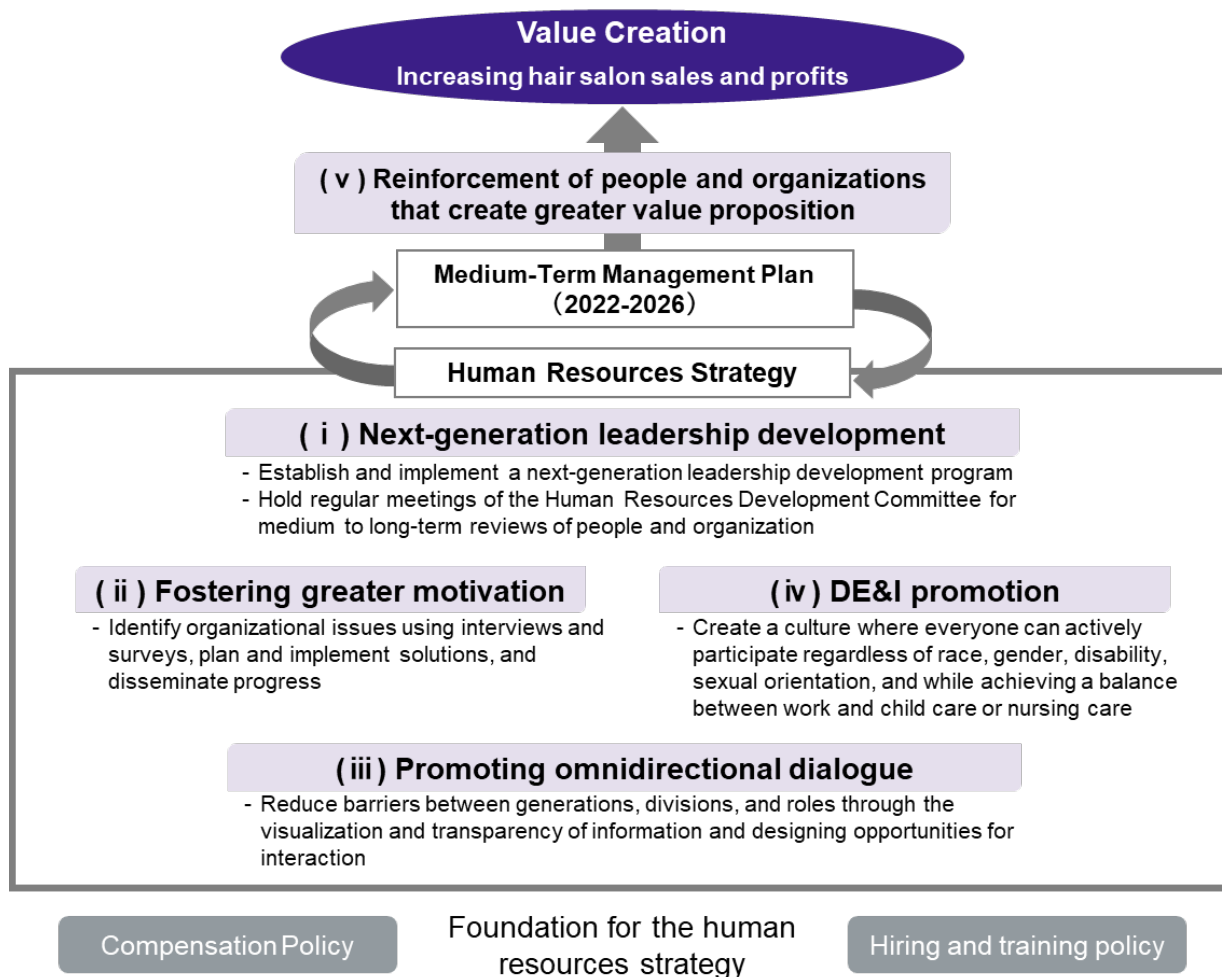
(i) Basic views on human capital

Along with the philosophy we have had since our founding that "Everything we do, we do for and with hair professionals," Milbon believes in "building a solid company that won't collapse." This was the firm belief in sustainability that our founder, Ichiro Konoike swore to uphold after witnessing the tragedies of people close to him suffering corporate bankruptcies prior to our company's establishment, and it embodies his commitment to "bring happiness to our employees and their families and provide job satisfaction." This is precisely why we have consistently remained committed to management that values people since the time of our founding.

Creating unique value that starts with people is a vital component for implementing our unique business model, in which we work closely with each individual hair salon, and the progress we have made thus far is a history of the embodiment of our policy that "the growth of people is key to growth of the company." We therefore regard human capital as the most important type of capital, which is absolutely vital to company management and sustained corporate growth, and implement human resources strategy that is linked to our management strategies.

(ii) Human capital strategies, metrics (KPI), and targets of the Medium-Term Management Plan (2022-2026)

To achieve our Medium-Term Management Plan (2022-2026), we have set out a "Basic Policy on Human Resources Strategy: Each employee becomes a driving force of Milbon; As part of Milbon's sustainable growth, we will foster a corporate culture that enables every employee to continue to work with a spirit of independence and a feeling of satisfaction." We have defined "five key human resources strategy themes" and we strive to motivate employees and create environments that encourage employees to continue working. These "five key human resources strategy themes" are closely linked to our Medium-Term Management Plan (2022-2026) to create new added value that will be the source of our sustained growth and to contribute to greater hair salon sales and profits.



The contents of specific initiatives, metrics (KPI), and targets for these five key human resources strategy themes are as indicated below.

1) Next-generation leadership development

In 2014, we envisioned our succession system for the decade to follow and launched the Milbon Corporate University (MCU), a unique next management leadership development program. This led to the appointment of three Board Directors and eight Executive Officers from amongst the 42 participants of the program in the four years beginning with 2015, demonstrating steady progress with our planned transition to the new system.

Currently, we are restructuring our succession plan for the next 10 and 20 years.

This year, prior to the start of the next MCU, we launched MCU-Prep, a program for leader candidates in their 30s. In this program, 24 persons that were selected through an open call participated. We plan to implement the program again in 2026 with 24 participants. This will allow us to develop a total of 48 future management leader candidates over two years.

In 2024, we also newly established the Human Resources Development Committee chaired by the President and CEO, putting in place systems for ongoing discussions of issues and measures related to human resources and our organizations. Going forward, we will advance our reform, with the aim of realizing a corporate entity that continues to produce new leaders through leadership development from a company-wide perspective, and by promoting training and personnel placement that contributes to the motivation of each and every member of our Group.

Metrics (KPI) and targets

KPI	FY2025 results	2026 target
Next-generation leadership development	Implemented MCU-Prep Systematized succession management	Continue MCU-Prep

2) Fostering greater motivation

We introduced an engagement survey in 2022, and have since been engaged in reporting to and dialogue with the Management Meeting and individual business divisions, as well as in creating and implementing action plans, including conducting compliance awareness surveys. Our overall engagement score indicates that our organization maintains a high level of engagement compared to other companies. However, we are not content to rest on our laurels, and have instead defined three areas of Philosophy Strategy, External Adaptation, and Transformation Activities in the survey evaluation items as our key indicators which will enable us to embody a solid company that won't collapse. We aim to achieve high levels of both "expectation" and "satisfaction" in these three areas, which are functioning as our Group's strengths.

The overall turnover rate for junior employees has risen, due partly to the increased mobility of Japan's labor market in recent years, resulting in deviation away from our target. To address this, we established a new project within the Human Resources Department, and have also been taking steps to introduce a new tool to visualize the mental state of sales staff. In this way, we are stepping up our measures across the board and working to improve our turnover rate as one of our highest priority sustainability issues.

As for increasing the paid leave utilization rate, another top priority, we established a project within the Human Resources Department to promote more diverse work styles. Through this project, we have strived for continuous improvement in the utilization rate, such as enhancing our system for systematically granting paid leave in Fiscal Year 2024, and conducting an analysis using data for and interviews with managers with low utilization rates in Fiscal Year 2025. In Fiscal Year 2025, the paid leave utilization rate increased by 2.7% year on year to 75.6%.

Moving forward, based on qualitative and quantitative data gathered through engagement surveys, we will further foster increased motivation and create environments that encourage our employees to continue working.

Metrics (KPI) and targets

KPI	FY2025 results	2026 target	2030 target
Turnover rate of junior employees *new graduates to 3rd year	12.8%	9%	6%
Paid leave utilization rate	75.6%	70%	80%
Progress of engagement survey	Continued to conduct engagement survey	Three key indicator fields function as strengths	-

3) Promoting omnidirectional dialogue

Over the past ten years, we have seen the number of employees increases roughly 1.8-fold on a consolidated basis, our divisions and organizational levels grow, and the number of diverse employees rises. To address the risks that may arise from weakened communication as a result of this organizational expansion, we conduct regular workshops throughout the Group, including at overseas subsidiaries, with the aim of instilling and sharing *The Milbon Way*, our set of action guidelines that all our employees should adhere to.

In 2025, following on from the previous year, the President and CEO Hidenori Sakashita visited the Group's domestic locations and conducted Milbon Person Discussions, through which he engaged in direct dialogue with all employees. Through this initiative, we were able to complete dialogue with all employees and further deepen mutual understanding between management and non-board employees. In addition, various measures contributing to improved internal engagement are being implemented by each business division, including work-life balance support roundtables, career guidance workshops, and IR briefings for employees.

Similarly, in 2026, we plan to hold open sessions for several employees with Mr. Sakashita, and will continue to

promote the creation of a cohesive organization through ongoing dialogue.

Metrics (KPI) and targets

KPI	FY2025 results	2026 target
Smooth internal communication	Conducted Milbon Person Discussions (21 discussions)	Hold open sessions for several employees with Mr. Sakashita

4) DE&I promotion

We believe that in order to realize value creation in an era where diversity is respected, we ourselves must become a diverse company. We thus consider DE&I promotion to be an indispensable initiative for such a transition.

In 2025, we carried out various initiatives, including the introduction of an external mentor program for working mothers and a babysitter support program and conducting Iku-Boss training for managers and supervisors (“Iku-Boss” means a boss who takes the initiative in creating a workplace environment that is supportive of work-life balance). The percentage of female employees in management positions was 14.7% in 2025. While there is still a way to go to reach our 2030 target of 20%, we are seeing steady improvement. We will engage in ongoing deliberations and implement measures, with the aim of achieving our goal.

Metrics (KPI) and targets

KPI	FY2025 results	2030 target
Percentage of female employees in management positions	14.7%	20%

5) Reinforcement of people and organizations that create greater value proposition

We consider the reinforcement of people and organizations that create greater value proposition to be a key theme directly linked to “Enrich the spirit through beauty,” which is central to our Sustainability Commitment Five Key Challenges. Since 1984, we have continuously engaged in human resources development, including nine-month long new employee training, and have made generous investments in people over the course of 40 years.

In October 2025, a training building of the Odawara Human Resources Development Center was completed. It will serve as a site for nurturing a culture of ongoing learning, from the time our employees are newly hired to the time they reach retirement age, and also as a new venue for new employee training. This has led to the start of training for new employees who join the Group in the fall.

From 2026, the training building will be fully operational, further enhancing our human resource development system. We have also launched a project to develop employee training not only in Japan but also in our overseas subsidiaries, in order to realize our global vision.

We will continue to increase the value we provide through further development of our human resources development system.

Results

FY2025 results
Full operation of Odawara Human Resources Development Center

(5) Initiatives related to water resources

(i) Basic approach to water resources

We understand that water plays an integral role in all aspects of our business—from serving as an ingredient in many of our products, including our mainstay haircare products, to being necessary for the rinsing process after customers use our products. Recognizing the importance of water resource conservation, we are committed to gaining a thorough understanding of water stress in each of our business regions. Additionally, we are dedicated to effective water-saving practices, encouraging the reuse of water, and actively advancing water conservation initiatives.

As of 2025, at the Yumegaoka Factory, which is the core production base of the Milbon Group where water resources are most used, we are monitoring water intake and discharge amounts based on management plans, investigating water stress in the local area, and promoting conservation activities.

Moving forward, we will strive to monitor the intake and discharge amounts of water across the entire group, including production bases of our consolidated subsidiaries and business bases both in Japan and abroad. We will also make efforts to research and consider countermeasures for water stress specific to each location.

(ii) Specific initiatives related to water resources

- Water stress survey at the Yumegaoka Factory

We have continued to conduct water stress surveys at the Yumegaoka factory since 2023. As a result of the surveys, the stress level has been determined to be “Low*.” (Evaluation was performed using the Baseline Water Stress from the Aqueduct Country Ranking.)

Going forward, we plan to conduct water stress surveys not only within Japan but also in our overseas factories, such as those in Thailand and China.

- Efforts to reduce water consumption

At the Yumegaoka Factory, we installed new pure water devices in 2021 to reduce the factory’s environmental impact. The new devices improved pure water reclamation rates by 20%, cutting the amount of pure water used for manufacturing in 2022 by approximately 2,000 m³ compared to the preceding year. Following this initiative, in 2023, we introduced new component washing machines to make the washing of production equipment components more efficient and effective, which offers greater cleaning performance than hand-washing, while also saving water and reducing washing time. This improves productivity and helps us reduce water usage.

- Consideration for wastewater

The Yumegaoka Factory concluded an environmental conservation agreement with Iga City to prevent pollution and to protect the health and living environments of the local community. A third-party organization has been commissioned to analyze monthly water discharge levels and check that they were below defined thresholds. We perform our own daily inspections to check that levels are being kept below the restriction levels. Through these measures, we are ensuring that the water that is discharged into the sewer system meets processing standards equivalent to those required for discharging water into rivers.

- Water quality survey of drainage routes

In Iga City, Mie Prefecture, where the Yumegaoka Factory is located, we are conducting water quality surveys of the Kume River and the Kizu River, which are the direct discharge routes for the water used at the factory to reach the ocean, together with the citizens’ group, the Network of Fish and Children. Since 2023, we have conducted annual PACKTEST surveys. The results from the survey conducted in May 2025 confirmed that, as in the previous year, the water quality of the Kume River and the Kizu River showed no abnormality in the chemical oxygen demand (COD) measurement.

We will continue to carry out activities to understand the state of our water quality and reduce environmental impact, including this survey.

(iii) Metrics (KPI) and targets for water resource-related initiatives

We set a water usage reduction target in 2024, and by 2026 aim to maintain a reduction of at least 4% compared with the 2021 level, in water usage per unit (water used (m³)/production volume (t)) at the Yumegaoka Factory, our domestic production site.

(Results and target for water usage per unit)

	FY2021 (reference year) results	FY2024 results	FY2025 results	2026 target
Yumegaoka Factory	4.900	4.366	4.623	Maintain a reduction of at least 4% vs. the 2021 level

3. Business Risks

Among the matters related to the business and financial status presented in this document, the risks, which the management recognizes as having the potential to exert a significant impact on the financial position, operating results, and cash flows of the Group, have been identified to create a risk category map, and analyzed. The information below reflects the status as of the date of submission of this annual securities report (March 27, 2026).

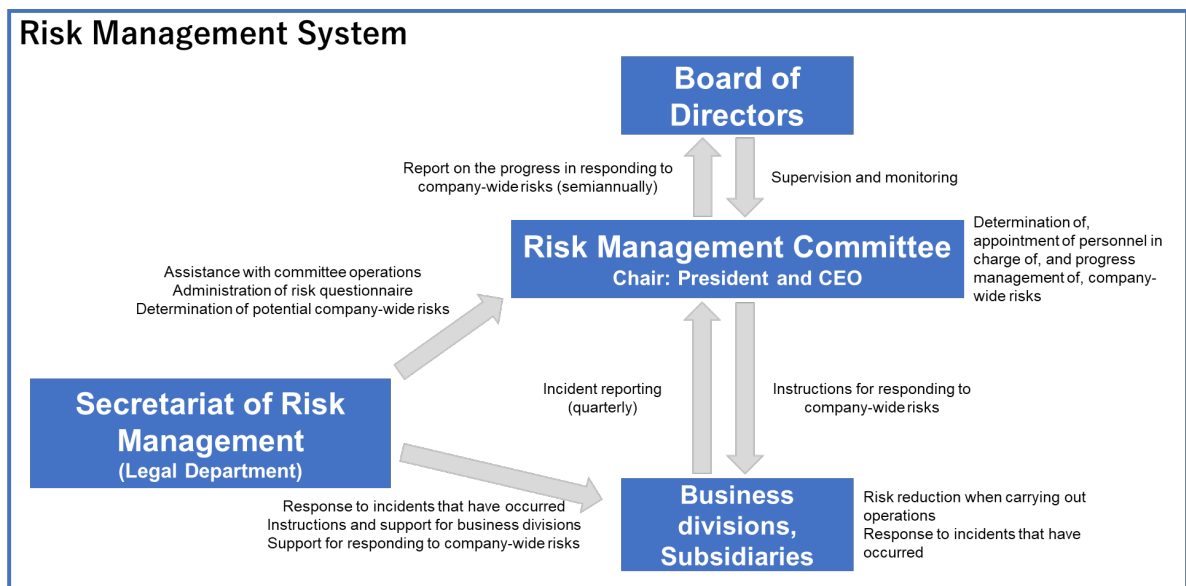
The forward-looking statements in the text are based on judgments made by the Group as of the end of the current fiscal year, but are not limited to the items listed herein.

(1) Risk management approach and structure

The Group defines matters with the potential to have a significant negative impact on the realization of our management philosophy or our business continuity as “risks,” and has established a basic risk management policy to reduce the likelihood of these risks manifesting themselves, to prevent the expansion of damage in the event that a risk materializes and a crisis occurs, and to increase the Group’s corporate value. The Group is working to develop and improve its risk management promotion system and framework.

Based on this policy, the Group reviews the “List of Risk Matters,” which summarizes the risks that may arise in the Group. Each business division and subsidiary identifies and responds to incidents arising from the conduct of business and reports them on a quarterly basis to the Management Meeting, which is composed of the Internal Board Directors, the Standing Audit & Supervisory Board Member and the Executive Officers. During the current fiscal year, business divisions worked together to assess the current situation, consider processes, and clarify and improve rules for reducing risks related mainly to processes for dealing with geopolitical risks, quality management systems at production sites, and improving the brand value of both our products and the Group, and also implemented compliance training for employees (handling company assets, harassment, and insider trading) and engaged in other activities.

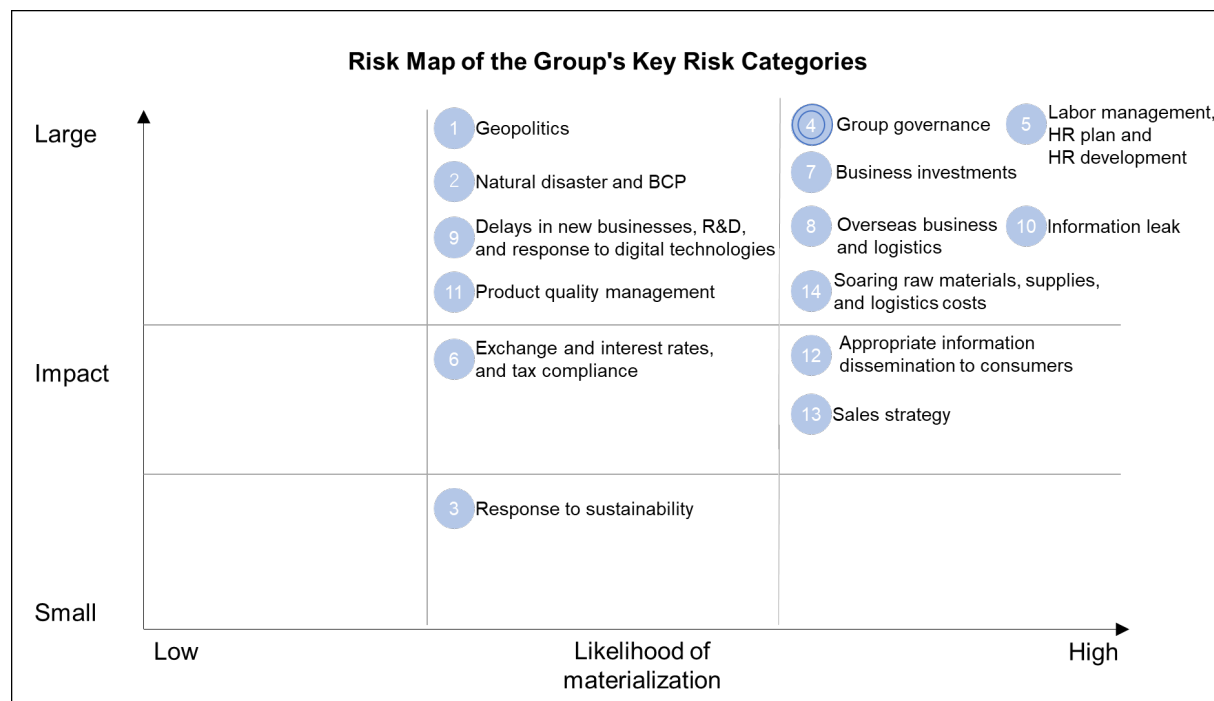
In addition, the Group has established the Risk Management Committee, which is chaired by the President and CEO and composed of Board Directors, the Standing Audit & Supervisory Board Member and Executive Officers. As a general rule, this committee meets three times per year. This committee selects “company-wide risks,” i.e., risks that should be particularly addressed on a company-wide basis, taking into account the significance and priority of the risks surrounding the Group, the likelihood and timing of the materialization of risks, the likelihood and impact of impeding the achievement of the Medium-Term Management Plan, etc., and appoints a person in charge of each company-wide risk from among the members of the Risk Management Committee to implement countermeasures. The Risk Management Committee reports to the Board of Directors semiannually on the progress made in responding to company-wide risks, and the Committee is subject to the supervision and monitoring of the Board of Directors.



(2) Identification and analysis of risks

In Fiscal Year 2024, the Group reviewed its key risk categories. Based on these changes, we continued to identify and analyze risks in Fiscal Year 2025. The Internal Board Directors, the Standing Audit & Supervisory Board Member, and the Executive Officers discussed and revised our risk map, which maps the Group's key risk categories based on their impact and likelihood. The key risk category map as of December 2025 is shown below. We will conduct risk management based on this risk map in Fiscal Year 2026. Note that these key risk categories are not based on general indicators, but are instead defined and assessed specifically based on the Group's business environment and characteristics.

(Key risk category map for Fiscal Year 2026)



* © indicates a company-wide risk for Fiscal Year 2026.

(Approximate level of impact)

Level	Meaning of level	(Quantitative) Impact on sales	(Qualitative) Scope of impact
Large	Significant impact	Impact of 1% or more	Society as a whole
Medium	Moderate impact	Impact of less than 1%	Industry and stakeholders
Small	Minor impact	Little or no impact	Internal only

* It is not necessary to satisfy both the conditions for impact on sales and scope of impact.

(Approximate likelihood of the materialization of risks)

Level	Time of materialization
High	Likelihood of materialization within a year
Medium	Likelihood of materialization within three years
Low	Likelihood of materialization within five years

(3) The Group's key risk categories

The impact of each key risk category on the Group, the main response measures taken in Fiscal Year 2025, and future initiatives are outlined below. This information is organized and presented by key risk category, taking into account changes in the Group's business environment and potential impact in the future.

Key risk category: (1) Geopolitics	Impact: Large	Likelihood: Medium
<p>Details of risk and impact</p> <p>Due to social conditions and tensions in the diplomatic landscape, we are facing prolonged instability in the countries and regions in which we operate and have production sites. This may lead to the difficulty of continuing business, stemming from human casualties or supply chain disruptions. Furthermore, we are facing a higher likelihood of increased tariffs in various countries directly impacting net sales and profit.</p>		
<p>Response</p> <p>In the countries and regions in which we operate and have production sites, we are considering measures to ensure the safety of local employees and to minimize the impact on our business from the suspension of operations at overseas production sites. In particular, in regions with ongoing instability, we have reviewed our information gathering and reporting systems to establish systems that enable us to respond more quickly to change. We are also taking steps to better understand the tariff impact in the countries so as to identify the scope of impact and review our cost structure.</p>		

Key risk category: (2) Natural disaster and BCP	Impact: Large	Likelihood: Medium
<p>Details of risk and impact</p> <p>Natural disasters, extreme weather events, and infectious diseases may cause harm to our employees and their families, and could also lead to business interruptions due to damage to buildings and equipment at our sales offices and production sites. Accidents at our sales offices and production sites may also cause harm to employees or surrounding areas.</p>		
<p>Response</p> <p>We check the disaster prevention status of each location. At our production sites in particular, we implement earthquake proofing for goods stored in our automated warehouses, and also conduct evacuation drills and update our disaster preparedness manual. Furthermore, we plan to put systems in place that will enable us to maintain a stable supply of products by dispersing our logistics and order hubs.</p>		

Key risk category: (3) Response to sustainability	Impact: Small	Likelihood: Medium
<p>Details of risk and impact</p> <p>The introduction of carbon pricing and soaring renewable energy prices may increase procurement costs, such as for raw materials, which would exert downward pressure on sales and profits. Furthermore, extreme weather events stemming from climate change may cause disasters and logistics disruptions, which could hinder the stable supply of products.</p>		
<p>Response</p> <p>We are working to build a sustainable business structure by continuously monitoring legal regulations and international trends, promoting the use of raw materials that adhere to the Roundtable on Sustainable Palm Oil (RSPO) and other certifications, as well as by reducing our petroleum-derived plastic use and expanding self-consumption power generation.</p>		

Key risk category: (4) Group governance	Impact: Large	Likelihood: High
<p>Details of risk and impact</p> <p>Controls over management resources such as human resources, funds, and information not functioning adequately within the Group run the risk of governance inconsistencies, delays in decision-making, and hindering the optimal allocation of management resources. In particular, if personnel systems are not properly established or their operation is unclear in human resources management, this may lead to a decline in compliance awareness and the occurrence of fraudulent activities, posing the risk of damaging corporate value. Furthermore, if overseas subsidiaries do not have systems in place that comply with the laws and regulations of the countries and regions in which they operate, they could incur the risk of committing fraud due to inadequate controls, violate laws and regulations, and hollow out governance. Should any of the above occur, consistency could be lost across the Group as a whole, negatively impacting the soundness of our management and corporate value.</p>		
<p>Response</p> <p>We are progressively developing Group-wide management systems for human resources, information, and business processes to ensure that controls function appropriately throughout the Group. In particular, at our overseas subsidiaries and locations, we are working to establish systems that conform to the laws, regulations, and customs of each country and region, and are also conducting compliance training in accordance with local laws to prevent fraud and instill a strong sense of governance, thereby promoting the establishment of a consistent governance system throughout the entire Group. We have positioned Group governance as a company-wide risk for Fiscal Year 2026, and intend to focus on strengthening governance at our overseas locations as a key theme.</p>		
Key risk category: (5) Labor management, HR plan and HR development	Impact: Large	Likelihood: High
<p>Details of risk and impact</p> <p>Deterioration in employee motivation or an increase in the number of employees taking leave or quitting due to physical or mental health issues could lead to labor shortages or decreased productivity. Furthermore, amid intensifying competition for talent, failure to respond quickly to the diversification of people's values regarding careers and work styles could lead to the loss of talented human resources, potentially impacting business continuity.</p>		
<p>Response</p> <p>We provide training tailored to employees' positions and roles, encourage their participation, and review our recruitment methods and training curricula to create an environment in which employees can fully leverage their abilities.</p>		
Key risk category: (6) Exchange and interest rates, and tax compliance	Impact: Medium	Likelihood: Medium
<p>Details of risk and impact</p> <p>Increased burdens resulting from tax reform and accounting standard revisions, deterioration in the creditworthiness of major business partners, tariff rate hikes, and exchange rate fluctuations could cause our business results and financial position to deviate from our Medium-Term Management Plan. We could also incur additional burdens or impairment losses, depending on the business environment and market trends.</p>		
<p>Response</p> <p>We are working to improve profitability through market expansion, and are also considering the utilization of tax credits in the wake of tax reform, and the segmentation of low-value lease agreements to comply with accounting standard revisions. We are also working to stabilize the financial standing of the Group as a whole by strengthening the credit management of our business partners, reviewing compensation amounts for liability insurance, and establishing systems that adhere to exchange rate trends and tax reform.</p>		

Key risk category: (7) Business investments	Impact: Large	Likelihood: High
<p>Details of risk and impact</p> <p>Deterioration in market or business conditions that was not anticipated at the time investment decisions were made could cause deviation from initial investment plans, leading to asset impairment stemming from failure to yield expected returns. Furthermore, in overseas business investments, political situations and diplomatic tensions in various countries may make it difficult to continue operations there, leading to a decline in sales and profit margins, deterioration in capital efficiency, and a decrease in corporate value.</p>		
<p>Response</p> <p>We continuously monitor the status of new businesses and investments and report the results to the Board of Directors and the Management Meeting. In addition, investment projects exceeding 30 million yen are deliberated by the Investment Committee and then resolved by the Board of Directors or the Management Meeting. Subsequently, we ensure that business investments are implemented appropriately by providing investment completion reports and performance reports.</p>		

Key risk category: (8) Overseas business and logistics	Impact: Large	Likelihood: High
<p>Details of risk and impact</p> <p>Abnormal weather conditions or changes in local conditions along trade routes may cause logistics disruptions, leading to temporary sales network disruptions and loss of sales channels stemming from more transport days and higher costs and the generation of excess inventory. Furthermore, changes in pharmaceutical regulations in various countries may necessitate changes in formulations, leading to leading to cost increases and lost sales opportunities stemming from increased waste and stockouts.</p>		
<p>Response</p> <p>To address changes in the logistics landscape, we have established a system to minimize the impact through regular information exchanges with logistics companies and the prompt switching of transport routes. Additionally, we are working to swiftly collect pharmaceutical regulation information for various countries to avoid the use of restricted substances and to transfer production to overseas factories that can comply with local laws.</p>		

Key risk category: (9) Delays in new businesses, R&D, and response to digital technologies	Impact: Large	Likelihood: Medium
<p>Details of risk and impact</p> <p>Delays in the development of new businesses or research and development could cause us to miss deadlines for launching new products, etc., making it difficult to recover development costs other related expenses, and ultimately leading to a decline in profitability. Furthermore, delays in updating system infrastructure and introducing advanced technologies such as AI may hinder progress in improving operational efficiency and data utilization, potentially leading to the loss of medium- to long-term growth opportunities.</p>		
<p>Response</p> <p>To prevent delays in new businesses and research and development, we are taking measures to strengthen our cross-divisional progress management system and improve the visibility of the development process and the accuracy of milestone management. To minimize lost opportunities caused by product launch delays, we are also conducting multifaceted business feasibility assessments from an early stage and have established a system that allows for quick decisions on shifting priorities and allocating additional resources. Furthermore, to avoid impairing medium- to long-term growth opportunities, we are developing a system to continuously incorporate advanced technologies, including the use of AI.</p>		

Key risk category: (10) Information leak	Impact: Large	Likelihood: High
<p>Details of risk and impact</p> <p>Confidential information and personal data may be leaked due to unauthorized access, external system intrusion, the leakage of employee personal information or administrator IDs/passwords, or the accidental sending of information via social media or email. This could result in financial loss, loss of reputation, a decline in trust from customers and stakeholders, and even the incurrence of significant liability. Cyberattacks such as ransomware, which have been increasing in recent years, are feared to exert a significant impact on business continuity, such as causing system downtime, business interruptions, and increased recovery costs due to the use of data encryption.</p>		
<p>Response</p> <p>We are reinforcing our IT infrastructure by taking steps to detect unauthorized access and malware and to enhance monitoring via Security Operation Center (SOC) services. We also plan to block unauthorized network traffic, reset privileged IDs and passwords, and review our password policy. Additionally, we are providing security training to employees to ensure thorough information management. We are also continuously improving our security system to adapt to changes in attack methods, and are also working to strengthen our backup systems and deploy a misdirected email prevention system.</p>		

Key risk category: (11) Product quality management	Impact: Large	Likelihood: Medium
<p>Details of risk and impact</p> <p>Mismanagement in formula changes or serious defects in production processes could cause skin and hair abnormalities, potentially requiring large-scale voluntary recalls. Failure to comply with pharmaceutical regulations in each country could also result in the suspension of exports from Japan to such countries and the incurrence of penalties for our local subsidiaries. These events could lead to decreased confidence in our product quality, additional costs, and damage to our brand value, resulting in a significant impact on business continuity and profitability.</p>		
<p>Response</p> <p>We are working to thoroughly raise awareness about how to use our products and to enhance guidance at product introduction training sessions and focus groups. To prevent minor errors in product quality management, we made headcount increases in Fiscal Year 2025, and have been working to enhance product quality management for products manufactured at overseas factories and export goods. With regards to pharmaceutical regulations in each country, we are working to gather information in cooperation with production sites and local subsidiaries, and to prevent quality problems and improve our market adaptability through deviation management and troubleshooting by the Quality Committee, regular Good Manufacturing Practice (GMP) training and comprehension tests, and the implementation of facility maintenance programs.</p>		

Key risk category: (12) Appropriate information dissemination to consumers	Impact: Medium	Likelihood: High
<p>Details of risk and impact</p> <p>Errors or delays in disclosure, or inappropriate information dissemination, could have serious consequences such as a decline in trust from stakeholders, a drop in share price, and penalties or delisting for violations of the Financial Instruments and Exchange Act. Furthermore, there are growing concerns about deterioration of reputation from inappropriate advertising, lawsuits for intellectual property infringement, health hazards to customers due to the distribution of counterfeit products, damage to brand value, and reputational damage.</p>		
<p>Response</p> <p>We are taking measures to identify potential issues related to information dissemination in advance, and to strengthen our crisis management systems for communicating externally through public relations. In particular, to ensure the accuracy of facts, figures, and expressions, we established a multi-layered checking system, streamlined the timely disclosure flow, clarified the persons in charge, and tightened up the approval process. We are also strengthening our pre-check systems and conducting internal training to ensure that expressions used in advertising are appropriate, thereby creating an environment that ensures responsible information dissemination by employees and respect for intellectual property rights. To prevent health threats to customers caused by the distribution of counterfeit products, we also share information about counterfeit products and our views on them on our company website and other platforms.</p>		

Key risk category: (13) Sales strategy	Impact: Medium	Likelihood: High
<p>Details of risk and impact</p> <p>Sales of new products falling short of our targets, or market share contraction caused by intensifying competition and lower prices in the hair color market, could result in shortfalls versus our Medium-Term Management Plan targets stemming from a decrease in sales. Our brand value could also be damaged by the distribution of parallel imports and counterfeit products, and economic trends could cause demand for high-priced products to decline. These factors could lead to a deterioration in asset turnover and profit margins, potentially having a significant impact on our corporate value and business continuity.</p>		
<p>Response</p> <p>To strengthen our sales strategy, the product development and sales divisions are working together to implement promotional activities tailored to customers and product characteristics. We are expanding the options for sales and training activities at hair salons and promoting measures to boost sales. We also conduct regular monitoring and report the results to the Management Meeting, enabling swift decision-making on strategy plans. Furthermore, based on our Beauty Platform strategy, we are stepping up our branding activities in the advertising and digital marketing areas in an attempt to expand our sales areas and enhance our brand value.</p>		

Key risk category: (14) Soaring raw materials, supplies, and logistics costs	Impact: Large	Likelihood: High
<p>Details of risk and impact</p> <p>Soaring raw material and logistics costs may increase the manufacturing cost ratio and decrease profit margins. In particular, rising raw material prices could directly impact product costs, potentially leading to a decline in profitability and the need for price hikes. Rising logistics costs could also drive up domestic and international transportation costs, impacting our sales strategies and inventory management, thereby leading to a decline in profit margins.</p>		
<p>Response</p> <p>We are reviewing raw material costs from the formulation and product specification planning stage to achieve drastic cost reductions. In addition, we are negotiating to lower unit prices by purchasing materials in bulk in an effort to curb price hikes. We are also strengthening cooperation with factories, restructuring our global procurement network, and sharing logistics policies with partner companies to achieve comprehensive cost optimization with an eye to reducing costs and improving operational efficiency.</p>		

4. Management Analysis of Financial Position, Operating Results and Cash Flows

The summary of the financial position, operating results, and cash flows (below, “operating results, etc.”) of the Group (the Company, its consolidated subsidiaries, and its equity-method affiliates) for the current fiscal year and analysis and discussion of the Group’s operating results, etc., from the perspective of management are as follows.

Matters related to future developments that are mentioned in this section are judgments that were made as of the end of the current fiscal year.

(1) Analysis of operating results

(i) Net sales and gross profit

Consolidated net sales for the current fiscal year were 52,863 million yen (up 3.0% year on year). This is primarily due to accelerated sales growth in overseas markets. In the United States, in particular, we increased headcount, strengthened product branding, and deepened collaboration with distributors, achieving a significant sales growth in both hair care and hair color products. In the EU, a large market with high technical standards among stylists, we sustained strong sales growth, led by Germany. In South Korea, political turbulence weighed on first-quarter performance; however, subsequent government consumption-stimulus measures supported a recovery to steady sales growth.

In Japan, the professional brand Elujuda maintained solid sales even after the price revision in May. Sales of take-home products were solid alongside the expansion of milbon:iD membership, and sales of hair care products continued to grow steadily. By contrast, hair color products faced persistent competition amid a stagnant overall hair color market and switching by some salons to lower-priced brands to control material costs. Under these conditions, we continued to advance our high-value-added hair color strategy. Sales of Villa Lodola Color, certified by ICEA, an organic certification authority, maintained robust growth; however, sales of fashion colors such as Ordeve Addicthy declined, and sales of hair coloring products decreased in aggregate.

Gross profit was 33,176 million yen (up 1.8% year on year) and the gross profit margin came to 62.38%. This was primarily due to sluggish domestic net sales, mainly in hair coloring product, along with inventory valuation losses recognized in the first half associated with the decline in cosmetics sales.

(ii) Selling, general and administrative expenses, and operating income

Selling, general and administrative expenses for the current fiscal year were 27,523 million yen (up 6.9% year on year) and operating income was 5,652 million yen (down 17.4% year on year). This was primarily due to higher personnel expenses from headcount additions and base pay increases, higher advertising expenses resulting from the recording of Expo-related costs, and higher logistics costs accompanying the expansion of overseas sales.

(iii) Non-operating income/expenses, ordinary income

Non-operating income for the current fiscal year was 136 million yen and non-operating expenses were 333 million yen. As a result, ordinary income was 5,455 million yen (down 21.7% year on year).

(iv) Extraordinary income/loss, profit attributable to owners of parent

Extraordinary income for the current fiscal year amounted to 291 million yen, primarily due to gain on sales of non-current assets, while extraordinary losses amounted to 820 million yen, primarily due to the recording of valuation loss on investment securities. As a result, profit attributable to owners of parent was 3,437 million yen (down 31.5% year on year), and net income per share was 106.26 yen.

A breakdown of consolidated net sales by product category, a breakdown of net sales into domestic and overseas sales, and production, orders, and sales results are shown below.

(Consolidated net sales by product category)

(Million yen)

Category	Previous fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Haircare products	31,324	61.1	33,466	63.3	2,142	6.8
Hair coloring products	17,200	33.5	16,896	31.9	(304)	(1.8)
Permanent wave products	1,547	3.0	1,435	2.7	(111)	(7.2)
Cosmetic products	868	1.7	664	1.3	(204)	(23.5)
Other	375	0.7	401	0.8	25	6.7
Total	51,316	100.0	52,863	100.0	1,546	3.0

(Breakdown of net sales into domestic and overseas sales)

(Million yen)

	Previous fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	38,684	75.4	39,206	74.2	521	1.3
Overseas sales	12,631	24.6	13,657	25.8	1,025	8.1
Total	51,316	100.0	52,863	100.0	1,546	3.0

(Production, orders, and sales results)

(i) Production results

The following is a breakdown by product category for the current fiscal year.

(Thousand yen)

Product category	Current fiscal year (From January 1, 2025 to December 31, 2025)	Change (%)
Haircare products	35,536,871	0.4
Hair coloring products	17,533,497	4.0
Permanent wave products	1,459,504	(8.9)
Other	317,835	(53.5)
Total	54,849,708	0.5

(Note) Amounts are based on selling prices.

(ii) Order results

There are no applicable items because the Group conducts production on a prospective basis.

(iii) Sales results

The following is a breakdown by product category for the current fiscal year.

(Thousand yen)

Product category	Current fiscal year (From January 1, 2025 to December 31, 2025)	Change (%)
Haircare products	33,466,507	6.8
Hair coloring products	16,896,102	(1.8)
Permanent wave products	1,435,609	(7.2)
Cosmetic products	664,010	(23.5)
Other	401,061	6.7
Total	52,863,291	3.0

(Note) Sales results by the major counterparty and the ratio of such sales results to total sales results for the two most recent fiscal years are as follows.

Counterparty	Previous fiscal year (From January 1, 2024 to December 31, 2024)		Current fiscal year (From January 1, 2025 to December 31, 2025)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
Topy Co., Ltd.	5,781	11.3	7,587	14.4
GAMO Co., Ltd.	4,384	8.5	5,293	10.0
MASS HOLDINGS Inc.	3,575	7.0	4,188	7.9

(2) Explanation of Financial Position

Total assets at the end of the current fiscal year decreased by 1,097 million yen from the end of the previous fiscal year to 57,801 million yen.

Current assets decreased by 1,834 million yen from the end of the previous fiscal year to 29,101 million yen. The main factors for the change were an increase of 186 million yen in merchandise and finished goods and a decrease of 2,013 million yen in cash and deposits.

Non-current assets increased by 737 million yen from the end of the previous fiscal year to 28,700 million yen.

Current liabilities decreased by 1,522 million yen from the end of the previous fiscal year to 7,685 million yen. The main factors for the change were decreases of 555 million yen in accounts payable - other and 793 million yen in income taxes payable.

Non-current liabilities increased by 183 million yen from the end of the previous fiscal year to 1,057 million yen.

Net assets increased by 241 million yen from the end of the previous fiscal year to 49,058 million yen. The main factors for the change were a decrease of 413 million yen in treasury shares (an increase in net assets) due to purchase and cancellation of treasury shares, and increases of 687 million yen in remeasurements of defined benefit plans and 498 million yen in foreign currency translation adjustment, while decreases of 1,656 million yen in retained earnings mainly due to cancellation of treasury shares and dividends of surplus and 398 million yen in valuation difference on available-for-sale securities (an increase in net assets).

As a result, the equity ratio changed from 82.9% at the end of the previous fiscal year to 84.9%. Net assets per share based on the total number of shares outstanding at the end of the period were 1,543.67 yen, compared with 1,499.20 yen at the end of the previous fiscal year.

(3) Cash Flows

Cash and cash equivalents (hereinafter, “funds”) at the end of the current fiscal year decreased by 2,264 million yen from the end of the previous fiscal year to 11,513 million yen.

The status of cash flows during the current fiscal year and the factors responsible are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 5,383 million yen. This was mainly due to profit before income taxes of 4,926 million yen, depreciation of 2,317 million yen, valuation loss on investment securities of 806 million yen, and income taxes paid of 2,112 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 3,014 million yen. This was mainly due to purchase of property, plant and equipment of 2,948 million yen, proceeds from sales of property, plant and equipment of 400 million yen, and purchase of intangible assets of 385 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 4,865 million yen. This was mainly due to purchase of treasury shares of 2,000 million yen and cash dividends paid of 2,864 million yen.

(4) Significant accounting policies and estimates

The Group’s consolidated financial statements have been prepared based on accounting principles generally accepted in Japan.

In preparing the consolidated financial statements, the Group continually evaluates the estimates and judgments that affect the reported items of assets and liabilities and the disclosure of contingent liabilities as of the balance sheet date, as well as the reported figures of revenues and expenses during the consolidated accounting period. However, actual results may differ from current estimates due to the occurrence of unforeseeable events and other factors.

Significant accounting policies adopted in the Group’s consolidated financial statements are described in Notes to the Consolidated Financial Statements (Significant matters that serve as the basis for preparation of consolidated financial statements) of “V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements.”

(5) Recognition, analysis and discussion of the status of operating results

Factors affecting the Group’s management are described in “II. Overview of Business, 3. Business Risks.”

(6) Sources of capital and liquidity of funds

The Group’s capital needs are primarily working capital needs and capital expenditure needs.

The working capital needs are mainly due to the Group’s production costs, such as the purchase of raw materials, and operating expenses, such as selling, general and administrative expenses. Capital expenditure needs are mainly for the purchase of fixed assets for the establishment of new bases, relocation and expansion of existing bases, and acquisition of production facilities. For general investment of surplus funds, the Company selects investment instruments with safety as the primary consideration.

(7) Objective indicators for judging the achievement of management policy, management strategy, or management objectives

The Group’s management policy is described in “II. Overview of Business, 1. Management Policy, Business Environment, Issues to Address, (1) Management policy.”

Note that the changes from the targets mentioned below and the figures for the revised plan for FY2025 in the table below are calculated based on the figures disclosed in the “Notice of Revision to Consolidated Operating Results Forecast” announced on August 8, 2025.

The results for Fiscal Year 2025 are net sales of 52,863 million yen (1.1% up from the target), operating income of 5,652 million yen (6.6% up from the target), ordinary income of 5,455 million yen (5.3% up from the target), and profit attributable to owners of parent of 3,437 million yen (14.6% up from the target).

The planned targets for Fiscal Year 2026 are net sales of 54,800 million yen (up 3.7% year on year), operating income of 6,300 million yen (up 11.4% year on year), ordinary income of 6,180 million yen (up 13.3% year on year), and profit attributable to owners of parent of 4,300 million yen (up 25.1% year on year).

The plan and results for Fiscal Year 2025 and the plan for Fiscal Year 2026 are as follows.

(Million yen)

	FY2025 Revised plan	Composition (%)	FY2025 Results	Composition (%)	Increase (decrease) amount	Change (%)	FY2026 Plan	Composition (%)
Net sales	52,300	100.0	52,863	100.0	563	1.1	54,800	100.0
Domestic	38,900	74.4	39,206	74.2	306	0.8	39,880	72.8
Overseas	13,400	25.6	13,657	25.8	257	1.9	14,920	27.2
Gross profit	32,926	63.0	33,176	62.8	250	0.8	34,720	63.4
Selling, general and administrative expenses	27,626	52.8	27,523	52.1	(103)	(0.4)	28,420	51.9
Operating income	5,300	10.1	5,652	10.7	352	6.6	6,300	11.5
Ordinary income	5,180	9.9	5,455	10.3	275	5.3	6,180	11.3
Profit attributable to owners of parent	3,000	5.7	3,437	6.5	437	14.6	4,300	7.8

The Medium-Term Management Plan is described in “II. Overview of Business, 1. Management Policy, Business Environment, Issues to Address, (2) Medium-Term Management Plan (2022-2026).”

5. Critical Contracts, etc.

There were no significant decisions or agreements on critical contracts, etc., during the current fiscal year.

6. Research and Development Activities

The Group conducts product development under the “TAC Product Development System,” a structure in which persons with a high level of beauty expertise, such as hairstylists who are supported by customers, are invited to participate as representatives of their customers. The Group uses scientific methods to elucidate the sensible beauty know-how of hairstylists, such as design creation, and create products that reflect this know-how using formulation technology.

In the current fiscal year, we strengthened business in the hair care field by focusing on basic and fundamental research, and we also engaged in research and development activities with an emphasis on environmental friendliness from the perspective of the sustainability. We are also engaged in global research and development by strengthening the collaboration system at four locations in Japan, the U.S., China, and Thailand. In addition, in December 2023, we opened the Innovation Center in Haneda, Tokyo as a new research base for product and service development from a longer-term perspective. We utilize the Center as a place to promote collaboration with other companies and academia-government-industry collaboration and conduct research using cutting-edge research technologies, and promote highly confidential research that will become the seeds of future business.

Going forward, we intend to quickly respond to rapidly changing market needs, and to develop local products for overseas markets that match the characteristics of each region, in addition to our existing global products from Japan, in order to create products that will please stylists and their customers around the world.

Total research and development expenses for the current fiscal year amounted to 2,672 million yen (5.1% of net sales), and the main research and development activities and achievements are as follows.

(1) Hair care field

By combining the latest hair research results with innovative formulation development technologies, we are developing salon care products that achieve salon quality and essentially solve problems through stylists’ treatments, as well as home care products that propose the realization of beautiful hair in accordance with customers’ values and lifestyles.

From the premium brand Aujua, focusing on the fact that aging hair damaged by repeated bleaching becomes extremely prone to dryness, we have launched Altiell Line, which leads to hair with a strong core and soft texture. From “milbon,” as a global brand, we have launched the Curl Series exclusively for overseas markets to strengthen the ability to handle diverse hair types around the world. From Milbon &, we have launched Monochromatic Series, which supports the design creativity of designers worldwide and enables the creation of hair designs that meet global standards.

From the professional brand, we have launched Elujuda Extra Repair, which provides intensive repair for unevenly and highly damaged hair caused by repeated bleaching, hair coloring, and heat treatments, allowing customers to enjoy beautiful color designs, and Ow Bye Tori, a new styling brand that allows hair to be moved gently from the roots and bring out the new individuality of each person.

(2) Hair color field

We are developing additional items that provide customers with new hair color designs and developing high-value-added formulations based on the latest hair research results.

From the ORDEVE hair color brand, we have launched Mystique Line, a collection of 20 colors in two cool hues with soft, subtle saturation that achieve a trendy semi-glossy finish. From ORDEVE Crystal High Bright, we have added six new colors in two hues that enhance the shine and moisture of mature hair, perfect for those who enjoy hair color design. We have also released Ordeve Crystal Oxidant OC 2.4, which helps to smooth out the uneven hair flow common in aging hair.

In Villa Lodola, we have launched Villa Lodola Color Clear Veil, a collection of 16 colors that provides brighter gray coverage than conventional Villa Lodola Color, achieving a transparent, skin-friendly hair color design.

(3) Beauty health care field

This is one of our focus areas in the Lifetime Beauty Care Strategy, and we are developing beauty health care products that support the healthy and beautiful lives of our customers, while verifying their safety and effectiveness through clinical research.

From the beauty supplement Lassical, to further expand our personalized offerings, we have launched Lassical Snow Care Shot, Lassical Protect Care Shot, and Lassical Gray Care Shot.

(4) Basic research field

In order to apply cutting-edge research to the development of products, we are actively promoting the use of SPring-8, a large synchrotron radiation experimental facility that enables observation of hair and cells at the nano-level, as well as joint research with universities. In Fiscal Year 2025, we received four awards at international and domestic academic conferences, and these achievements have been utilized in the development of new products, such as Aujua and “milbon” products. To continuously create new products that bring joy to our customers, we plan to apply pioneering research results to product development.

(5) Innovation research field

To realize our Beauty Platform Plan, we will not only further explore the hair field, but also carry out research that contributes to making innovations, such as gaining knowledge from other fields in R&D and engaging in highly confidential research conducted together with other companies that have their own unique strengths, to develop products and services over the medium to long term.

(6) Other R&D

As part of our research and development activities with an emphasis on environmental friendliness, we are implementing 4R (reduce, replace, reuse, and recycle) initiatives towards our 2030 target of reducing the use of petroleum-derived virgin plastic by 30%.

In new products, not only are we promoting the continuous use of bottles by adopting bottles with a pump and refill pouch specifications, but we are also promoting the use of plant-derived plastics and recycled plastics.

III. Information about Facilities

1. Overview of Capital Expenditures

Capital expenditures (property, plant and equipment, and intangible assets) in the current fiscal year totaled 2,701 million yen. The major components of the capital expenditures were the construction work of the new Human Resources Development Center, the maintenance of sales offices, recurring investments in machinery and equipment at the Yumegaoka Factory, and the construction work for expansion of the Technical Center.

2. Major Facilities

(1) The Company

Major facilities are as follows.

As of December 31, 2025

Office name (Location)	Description of facilities	Book value (thousand yen)						Number of employees
		Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
				Area (m ²)	Amount			
Head Office (Chuo-ku, Tokyo)	Companywide administration	150,780	-	-	-	428,447	579,228	74
Jingumae Sales Office (Shibuya-ku, Tokyo)	Sales and services	463,537	0	981	1,258,529	158,532	1,880,600	48
Human Resources Development Center (Odawara City, Kanagawa)	New hire training and dormitory	1,346,117	91,442	1,730	1,444,199	1,113,859	3,995,618	16
Central Research Institute (Miyakojima-ku, Osaka City)	Research	794,759	9	4,100	1,602,859	345,786	2,743,414	160
Yumegaoka Factory (Iga City, Mie)	Manufacture of hair products	2,070,218	1,554,325	58,345	1,555,093	760,321	5,939,959	171
Osaka Branch (Nishi-ku, Osaka City)	Sales and services	315,646	-	542	423,809	2,681	742,137	70

- (Notes) 1. "Other" under book value includes tool, furniture and fixtures, construction in progress, software and software in progress.
2. The number of employees refers to full-time employees and does not include employees concurrently serving as officers, part-time employees, associate employees, and employees seconded from the Company to subsidiaries and affiliates.
3. There are no major leased facilities under lease contracts.

(2) Overseas subsidiaries

As of December 31, 2025

Company Name	Office name (Location)	Description of facilities	Book value (thousand yen)						Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
					Area (m ²)	Amount			
MILBON USA, INC.	Head office (New York, the United States)	Sales and services	111,080	-	-	-	19,371	130,452	30
Milbon Trading (Shanghai) Co., Ltd.	Head office (Shanghai City, China)	Sales and services	838	-	-	-	11,011	11,849	46
Milbon Korea Co., Ltd.	Head office (Seoul City, South Korea)	Sales and services	44,136	-	-	-	25,802	69,938	52
MILBON (THAILAND) CO., LTD.	Head office (Rayong Pref., Kingdom of Thailand)	Manufacture and sales	1,038,003	635,049	24,000	165,174	74,789	1,913,016	94
Milbon (Zhejiang) Cosmetics Co., Ltd.	Head office (Zhejiang, China)	Manufacture and sales	1,990,152	833,022	-	-	295,980	3,119,154	30

- (Notes) 1. "Other" under book value includes tool, furniture and fixtures, construction in progress, leasehold interests in land and software in progress.
2. The number of employees does not include the number of associate employees and part-time staff.
3. There are no major leased facilities under lease contracts.

3. Planned Addition, Retirement, and Other Changes of Facilities

The Group's capital expenditures are planned by each group company based on future demand forecasts and new product plans. Facility plans are formulated by consolidated companies in principle, while the overall plan is coordinated by the reporting company.

Significant plans for the addition, refurbishment and retirement of facilities as of the end of the current fiscal year are as follows.

- (1) Significant addition of facilities
Not applicable.
- (2) Significant refurbishment
Not applicable.
- (3) Significant retirement of facilities
Not applicable.

IV. Information about Reporting Company

1. Company's Shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	120,408,000
Total	120,408,000

(ii) Issued shares

Class	Number of issued shares as of the end of the current fiscal year (December 31, 2025)	Number of issued shares as of the submission date (March 27, 2026)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	32,305,534	32,305,534	Tokyo Stock Exchange (Prime Market)	Standard shares with no restrictions on shareholder's rights Number of shares per unit: 100 shares
Total	32,305,534	32,305,534	-	-

(2) Share Acquisition Rights

(i) Stock options

Not applicable.

(ii) Rights plans

Not applicable.

(iii) Other share acquisition rights

Not applicable.

(3) Exercises of bonds with share acquisition rights containing a clause for exercise price amendment

Not applicable.

(4) Changes in total number of issued shares, share capital and others

Date	Changes in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Changes in share capital (thousand yen)	Balance of share capital (thousand yen)	Changes in legal capital surplus (thousand yen)	Balance of legal capital surplus (thousand yen)
December 26, 2025 (Note)	(811,700)	32,305,534	-	2,000,000	-	199,120

(Note) The decrease was due to the cancellation of treasury shares.

(5) Shareholding by shareholder category

As of December 31, 2025

Category	Status of shares (Number of shares constituting one unit: 100 shares)								Status of shares less than one unit (shares)
	Government and local municipalities	Financial institutions	Financial service providers	Other corporations	Foreign corporations		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	-	16	21	258	169	129	33,062	33,655	-
Number of shares held (Unit)	-	48,578	6,605	74,316	74,097	281	117,140	321,017	203,834
Percentage of shareholdings (%)	-	15.13	2.06	23.15	23.08	0.09	36.49	100	-

(Notes) 1. There are 524,904 treasury shares, of which 5,249 units are included in “individuals and others” and four shares are in “status of shares less than one unit.” The number of treasury shares of 524,904 is the actual number of shares substantially held as of December 31, 2025.

2. The figures in “other corporations” and “status of shares less than one unit” above include 20 units and 68 shares, respectively, held under the name of Japan Securities Depository Center, Inc.

(6) Major shareholders

As of December 31, 2025

Name/company name	Address	Number of shares held (thousand shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	1-8-1, Akasaka, Minato-ku, Tokyo	3,070	9.66
Konoike Asset Management Company	2-1-1, Edobori, Nishi-ku, Osaka City, Osaka	2,782	8.75
KOSÉ Corporation	3-6-2, Nihombashi, Chuo-ku, Tokyo	1,328	4.18
MILBON Employee Stock Ownership Association	2-2-1, Kyobashi, Chuo-ku, Tokyo	735	2.31
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	695	2.19
RBC IST 15 PCT NON LENDING ACCOUNT-CLIENT ACCOUNT (Standing proxy: Tokyo Branch, Citibank, N.A.)	7th Floor, 155 Wellington Street West Toronto, Ontario M5V 3L3, Canada (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	653	2.06
STATE STREET BANK AND TRUST COMPANY (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	One Congress Street, Suite 1, Boston, Massachusetts (Building A, Shinagawa Intercity, 2-15-1, Konan, Minato-ku, Tokyo)	602	1.89
Keiko Murai	Miyakojima-ku, Osaka City, Osaka	483	1.52
Maiko Kitajima	Toyonaka City, Osaka	482	1.52
Osakasasaki Chemical Co., Ltd.	1-5-12, Doshomachi, Chuo-ku, Osaka City, Osaka	480	1.51
irodori Shisei Co., Ltd.	418-3, Kashiwabara, Sayama City, Saitama	480	1.51
Total	-	11,793	37.10

(Notes) 1. The above numbers of shares held by banks include the following shares held in connection with their trust business.

The Master Trust Bank of Japan, Ltd. 3,070 thousand shares

Custody Bank of Japan, Ltd. 695 thousand shares

2. Although the report of large volume holding (change report) made available for public inspection on May 7, 2025 states that Misaki Capital Inc. held the following shares as of April 25, 2025, since the Company is not able to confirm the actual number of shares held as of the end of the current fiscal year, these shares are not included in the status of major shareholders above.

The details of the report of large volume holding (change report) are as follows:

Name/company name	Address	Number of share certificates, etc. held (thousand shares)	Percentage of shares held (%)
Misaki Capital Inc.	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	1,359	4.10

3. Although the report of large volume holding (change report) made available for public inspection on August 20, 2025 states that Burgundy Asset Management Ltd. held the following shares as of August 15, 2025, since the Company is not able to confirm the actual number of shares held as of the end of the current fiscal year, these shares are not included in the status of major shareholders above.

The details of the report of large volume holding (change report) are as follows:

Name/company name	Address	Number of share certificates, etc. held (thousand shares)	Percentage of shares held (%)
Burgundy Asset Management Ltd.	181 Bay Street, Suite 4510, Toronto, Ontario M5J 2T3, Canada	760	2.30

4. Although the report of large volume holding (change report) made available for public inspection on October 21, 2025 states that Nomura Securities Co., Ltd. and its joint holders held the following shares as of October 15, 2025, since the Company is not able to confirm the actual number of shares held as of the end of the current fiscal year, these shares are not included in the status of major shareholders above.

The details of the report of large volume holding (change report) are as follows:

Name/company name	Address	Number of share certificates, etc. held (thousand shares)	Percentage of shares held (%)
Nomura International plc	1 Angel Lane, London EC4R 3AB, U.K.	119	0.36
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo	1,229	3.71
Total	-	1,348	4.07

(7) Voting rights
(i) Issued shares

As of December 31, 2025

Category	Number of shares (shares)	Number of voting rights	Description
Shares with no voting rights	-	-	-
Shares with restricted voting rights (Treasury shares, etc.)	-	-	-
Shares with restricted voting rights (Other)	-	-	-
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Common stock 524,900	-	Standard shares with no restrictions on shareholder's rights
Shares with full voting rights (Other)	Common stock 31,576,800	315,768	Same as the above
Shares less than one unit	Common stock 203,834	-	-
Total number of issued shares	32,305,534	-	-
Number of voting rights held by all shareholders	-	315,768	-

(Notes) 1. The figures in “shares with full voting rights (other)” and “shares less than one unit” include 2,000 shares (20 voting rights) and 68 shares, respectively, held under the name of Japan Securities Depository Center, Inc.

2. The number of shares in “shares less than one unit” includes four treasury shares held by the Company.

(ii) Treasury shares, etc.

As of December 31, 2025

Name/company name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total number of shares held (shares)	Ratio of number of shares held to total number of issued shares (%)
(Treasury shares) Milbon Co., Ltd.	2-3-35, Zengenji-cho, Miyakojima-ku, Osaka City	524,900	-	524,900	1.62
Total	-	524,900	-	524,900	1.62

2. Acquisition and Disposal of Treasury Shares

Class of Shares, etc.: Redemption of common stock in accordance with Article 155, Items 3 and 7 of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of Board of Directors meeting

Acquisition in accordance with Article 155, Item 3 of the Companies Act

Category	Number of shares (shares)	Total amount (yen)
Status of resolution of the Board of Directors meeting held on August 8, 2025 (Acquisition period: from August 12, 2025 to December 23, 2025)	870,000	2,000,000,000
Treasury shares acquired before the current fiscal year	-	-
Treasury shares acquired during the current fiscal year	811,700	1,999,828,700
Total number and total amount of remaining shares authorized to be acquired	-	-
Percentage of unexercised shares as of the end of the current fiscal year (%)	6.7	0.0
Treasury shares acquired during the current term	-	-
Percentage of unexercised shares as of the submission date (%)	6.7	0.0

(Note) Acquisition completed on October 27, 2025.

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors meeting

Category	Number of shares (shares)	Total amount (thousand yen)
Treasury shares acquired during the current fiscal year	200	543
Treasury shares acquired during the current term	84	229

(Note) The number of treasury shares acquired during the current term does not include the number of shares acquired as a result of the purchase of shares less than one unit during the period from March 1, 2026 to the date of submission of this annual securities report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Current fiscal year		Current term	
	Number of shares (shares)	Total amount of disposition (thousand yen)	Number of shares (shares)	Total amount of disposition (thousand yen)
Acquired treasury shares for which subscribers were solicited	-	-	-	-
Acquired treasury shares that were canceled	811,700	2,309,245	-	-
Acquired treasury shares that were transferred due to merger, share exchange, share issuance, or company split	-	-	-	-
Other	30,366	86,306	-	-
Number of treasury shares held	524,904	-	524,988	-

- (Notes)
1. The decrease in “other” for the current fiscal year is due to the disposal of treasury shares (number of shares: 30,314 shares, total amount of disposition: 86,182 thousand yen) pursuant to the resolution of the Board of Directors meeting held on April 11, 2025, accompanying the introduction of the restricted share-based compensation plan, and due to the sale of shares less than one unit (number of shares: 52 shares, total amount of disposition: 124 thousand yen).
 2. The status of disposal during the current term does not include the sale of shares less than one unit during the period from March 1, 2026 to the date of submission of this annual securities report.
 3. The number of treasury shares held during the current term does not include the purchase or sale of shares less than one unit during the period from March 1, 2026 to the date of submission of this annual securities report.

3. Dividend Policy

The Company considers the return of profits to its shareholders as one of the management priorities, and upholds the basic policy of carrying out the performance-based distribution while working to reinforce its corporate structure by maintaining internal reserves for achieving higher profitability in the future.

The decision-making body is the Board of Directors for the interim dividend and the General Meeting of Shareholders for the year-end dividend, and the Company conducts two dividend payments per fiscal year.

With respect to the dividends for the current fiscal year, the Company decided to pay an annual dividend of 88 yen per share after comprehensively considering its financial position and profit level, among others. As a result, the payout ratio on a consolidated basis for the current fiscal year was 82.3%.

The internal reserve will be used for enhancing the production capability and establishing and reinforcing new sales offices in order to further strengthen the corporate structure.

The Company stipulates in its Articles of Incorporation that it is able to pay an interim dividend pursuant to the provisions in Article 454, Paragraph 5 of the Companies Act.

(Note) Dividend of surplus distributed in the current fiscal year pursuant to Article 453 of the Companies Act

Interim dividend

Resolution by the Board of Directors: August 8, 2025

40 yen per share, totaling 1,303,695 thousand yen

Year-end dividend

Resolution at the General Meeting of Shareholders: March 27, 2026

48 yen per share, totaling 1,525,470 thousand yen

4. Corporate Governance

(1) Overview of corporate governance

(i) Basic views on corporate governance

a. Basic approach to corporate governance

Maintaining a sound corporate governance framework and making improvements is one of the highest priorities of Milbon. We have a strong commitment to upgrading the transparency, fairness and efficiency of management in order to achieve steady growth in corporate value.

b. Fundamental policy

1) Shareholder rights and equality

We will disclose in a timely and accurate manner the information required for shareholders to exercise their rights. We will also maintain a proper environment for shareholders to submit votes on resolutions and protect the rights and equality of foreign shareholders (including beneficial shareholders), minority shareholders, and all other shareholders.

2) Proper relationships with stakeholders other than shareholders

We will maintain proper relationships with customers, suppliers, employees, creditors, communities, the hair salon industry and all other stakeholders. We will also show respect for the rights, perspectives and ethical business operations of stakeholders.

3) Suitable information disclosure and transparency

We will supply information about our financial condition, results of operations and other aspects of business operations on a quarterly basis as prescribed in laws and regulations. We will also disclose all pertinent information about our strategies, medium-term vision and other non-financial subjects. We will do everything possible to ensure that all of this information is accurate and easy to understand for the purpose of facilitating a constructive dialogue with shareholders.

4) Responsibilities of the Board of Directors

The Board of Directors has an obligation to operate in the best interests of shareholders and to provide explanations for their actions. Consequently, the Board Directors are responsible for the following roles and duties, as well as other items, for the purpose of achieving sustained growth, a consistent increase in corporate value, and improvements in earnings and the return on capital.

- The Board Directors establish a corporate philosophy and medium-term vision, clearly define strategic goals and supervise the necessary actions.
- The Board Directors establish frameworks for internal controls and risk management and provide support for appropriate risk exposure decisions by senior executives.
- Milbon has an Audit & Supervisory Board. Audits are performed by the members of this Board, where the majority of the members are from outside the Milbon Group. There is also a Nomination and Compensation Committee, with a majority of Independent Outside Board Directors. The use of Independent Outside Audit & Supervisory Board Members and Independent Outside Board Directors makes it possible to perform highly effective audits of the Board Directors from an objective standpoint.

5) Dialogues with shareholders

To contribute to the consistent growth of the Milbon Group and its corporate value, the President and CEO and the Board Director and Executive Officer in charge of Finance conduct a variety of investor relations activities. The objective is constructive dialogues with shareholders and other stakeholders.

(ii) Overview of corporate governance system and reasons for adopting the system

We have adopted the company with an Audit & Supervisory Board as our corporate governance structure. The basis of the structure lies in the supervision and audits of the status of business execution of the Board of Directors by five Outside Board Directors and Audit & Supervisory Board Members including two Outside Audit & Supervisory Board Members who attend important meetings such as the Board of Directors meetings.

Finely detailed control activities are made possible through the coordination of the Internal Audit Department and the Legal Department to promote companywide risk management activities and engage in activities to develop and evaluate internal controls over financial reporting, thereby responding to the risks of each business division while auditing and evaluating the status of business execution and making reports to the President and CEO.

We have also concluded advisory and other agreements with outside experts in each field and have been making efforts to promote corporate governance and gather the information and know-how necessary to bolster its framework. Furthermore, the Audit & Supervisory Board Members, the Internal Audit Department, and the Accounting Auditor have strengthened their cooperation by engaging in exchanges of information, when necessary, and voicing their views from

their unique standpoints, and engaged in the establishment and reinforcement of an effective and efficient corporate governance structure.

We have established the Nomination and Compensation Committee as a voluntary committee, the majority of whose members are Independent Outside Board Directors. The Nomination and Compensation Committee deliberates executive appointments and executive compensation, and makes recommendations to the Board of Directors, after which the Board of Directors deliberates and determines the nomination and compensation proposals based on such recommendations. In March 2026, the previously separate Nominations Committee and Compensation Committee were merged into a single Nomination and Compensation Committee to increase the efficiency of discussions.

The members of the Nomination and Compensation Committee are as follows:

(Nomination and Compensation Committee)

Chairman: Etsuhiro Takato, Board Director

Members: Ryuji Sato, Chairperson; Hidenori Sakashita, President and CEO; Junji Morimoto, Board Director; Tsuneko Murata, Board Director; Chisa Hayakawa, Board Director; and Tomomi Fukumoto, Board Director

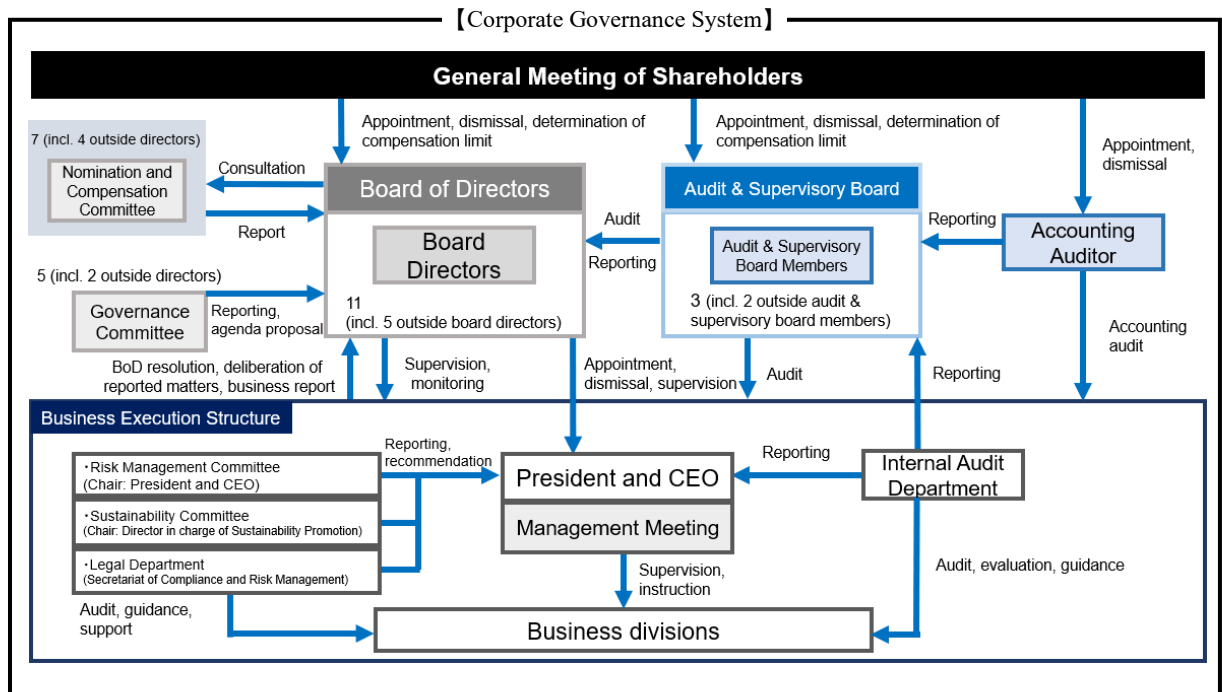
Furthermore, in Fiscal Year 2022, we established the Governance Committee as a new voluntary committee, in addition to the then Nominations and Compensation Committees. The Governance Committee conducts deliberations regarding medium- and long-term themes in order to contribute to the improvement of our corporate governance, reports its progress, and submits matters to be discussed as necessary, to the Board of Directors.

The members of the Governance Committee are as follows:

Chairman: Hidenori Sakashita, President and CEO

Members: Ryuji Sato, Chairperson; Junji Morimoto, Board Director; Etsuhiro Takato, Board Director; and Chisa Hayakawa, Board Director

We have elected five Outside Board Directors and two Outside Audit & Supervisory Board Members in order to strengthen the function of oversight of the Board of Directors, which has been entrusted with the function of management decision-making. In terms of corporate governance, we recognize that the function of objective and neutral monitoring from the outside is essential and has thus maintained the current structure in the belief that the function of monitoring from the outside has become fully functional as a result of the oversight and auditing by the five Outside Board Directors and the two Outside Audit & Supervisory Board Members.



(iii) Activities of the Board of Directors, Audit & Supervisory Board, Nominations Committee, and Compensation Committee during the current fiscal year

a. Activities of the Board of Directors

During the current fiscal year, 12 Board of Directors meetings were held, and the attendance of individual Directors was as follows:

Title and position	Name	Attendance
Chairperson	Ryuji Sato	100% (12/12)
President & CEO	Hidenori Sakashita	100% (12/12)
Managing Executive Director	Masahiro Murai	100% (12/12)
Board Director	Kazunobu Konoike	100% (12/12)
Board Director	Junji Morimoto	100% (12/12)
Board Director	Harumichi Okazaki	100% (12/12)
Board Director	Hiroyuki Ogata	100% (12/12)
Outside Board Director	Taizo Hamaguchi	100% (12/12)
Outside Board Director	Tsuneko Murata	100% (12/12)
Outside Board Director	Etsuhiro Takato	92% (11/12)
Outside Board Director	Chisa Hayakawa	92% (11/12)
Outside Board Director	Tomomi Fukumoto	100% (12/12)

The specific discussions by the Board of Directors are as follows:

Theme	Contents of discussions
Management and business strategy	Confirmation of progress of Medium-Term Management Plan, DX investment, cosmetics business-related issues, issues at overseas subsidiaries, management with awareness on capital costs and share prices, etc.
Sustainability	Progress management on the Materiality, ESG assessment, etc.
Corporate governance	Ordinary General Meeting of Shareholders, basic policy and basic plan for internal control system, corporate governance report, evaluation of the effectiveness of the Board of Directors, etc.
Accounts and finance	Financial results, annual budget, capital policy, dividend and shareholder return policy, etc.
Nomination and compensation	Selection of chairman and members of the Nomination and Compensation Committee, Executive Officer system, compensation for Board Directors and Audit & Supervisory Board Members, restricted share-based compensation, etc.
Human resources strategy	Wage and salary structure, organizational structure, personnel evaluation system, engagement survey, executive appointments for overseas subsidiaries, etc.
Others	Amendment or abolition of important regulations, matters related to donations and contributions, etc.

b. Activities of the Audit & Supervisory Board

The activities of the Audit & Supervisory Board are described in “(3) Audits, (i) Status of audits by Audit & Supervisory Board Members, b. Activities of the Audit & Supervisory Board.”

c. Activities of the Nominations Committee

During the current fiscal year, three Nominations Committee meetings were held, and the attendance of individual members was as follows:

Title and position	Name	Attendance
Chairman: Outside Board Director	Taizo Hamaguchi	100% (3/3)
Member: Chairperson	Ryuji Sato	100% (3/3)
Member: President & CEO	Hidenori Sakashita	100% (3/3)
Member: Managing Executive Director	Masahiro Murai	100% (3/3)
Member: Outside Board Director	Tsuneko Murata	100% (3/3)
Member: Outside Board Director	Etsuhiro Takato	100% (3/3)
Member: Outside Board Director	Tomomi Fukumoto	100% (3/3)

The specific discussions by the Nominations Committee are as follows:

- Next management structure and succession plans
- Approach to the Executive Officer system
- Election of Directors, Audit & Supervisory Board Members, and Executive Officers for Fiscal Year 2026, etc.

d. Activities of the Compensation Committee

During the current fiscal year, three Compensation Committee meetings were held, and the attendance of individual members was as follows:

Title and position	Name	Attendance
Chairman: Outside Board Director	Taizo Hamaguchi	100% (3/3)
Member: President & CEO	Hidenori Sakashita	100% (3/3)
Member: Managing Executive Director	Masahiro Murai	100% (3/3)
Member: Outside Board Director	Etsuhiro Takato	100% (3/3)
Member: Outside Board Director	Chisa Hayakawa	100% (3/3)

The specific discussions by the Compensation Committee are as follows:

- Compensation for Board Directors for Fiscal Year 2025
- Assessment design for stock-based compensation
- Compensation for Board Directors (including the Executive Officer system) for Fiscal Year 2026, etc.

(iv) Other matters regarding corporate governance

a. Development status of the internal control system and the risk management framework

Based on the Companies Act and the Regulations for Enforcement of the Companies Act, the Company and its subsidiaries (below, the “Group”) have established the Basic Policy for the Internal Control System to manage various risks that impact the efficiency and the effectiveness of management, while ensuring the reliability of financial reporting and making efforts to promote compliance.

- 1) System for ensuring that the execution of duties by the Board Directors, Executive Officers, and employees of the Group complies with laws, regulations and the Articles of Incorporation
 - A. Based on the Milbon Ethics and Code of Conduct to practice *The Milbon Way*, the Board Directors, Executive Officers and employees of the Group act, throughout the value chain, in compliance with laws and regulations of all countries and regions, as well as internal regulations, based on high ethical standards that conform with social ethics. The Board Directors work to maintain and enhance compliance management by actively practicing the following: “provision of safe and superior products and services and gaining of customer trust,” “contribution to and coexistence with local communities,” “responsibility to the environment,” “respect for human rights,” “fair transactions and mutual development with business partners,” “maintenance of workplace environment for employees,” “understanding and support of shareholders and investors,” “sound relationships with government and administration,” and “dealing with antisocial forces.” They also aim to raise compliance awareness and spread the Milbon Ethics and Code of Conduct through the continuous implementation of awareness and education activities on compliance.
 - B. We have adopted the company with an Audit & Supervisory Board structure, where Audit & Supervisory Board Members ensure the legality of the execution of business by Board Directors through their audit function. The Board of Directors meets every month in principle and as needed to mutually supervise the execution of business by Board Directors.
 - C. The Governance Committee has been established to continuously improve corporate governance and strengthen the transparency and objectivity of decision making by management. In addition, the Nomination and Compensation Committee has been established to strengthen the independence, objectivity, and accountability of the function of the Board of Directors related to the nomination and compensation of Board Directors. The Governance Committee and the Nomination and Compensation Committee consist of Board Directors, including Outside Board Directors.
 - D. We ensure that the Group’s management plans are thoroughly communicated to employees and manage them by regularly reporting the status of execution at Board of Directors meetings through financial reports and activity reports.
 - E. We have established internal and external whistle-blowing contact points, promote the use of them by the Board Directors, Executive Officers, and employees of the Company, and strive for the early detection of matters that may violate or risk violating laws, regulations, or internal regulations.
 - F. The Internal Audit Department conducts business audits on the Company and its subsidiaries, reports the results to the President & CEO, the Board of Directors, and the Audit & Supervisory Board, requests the audited organizations to correct issues pointed out, and inspects the status of implementation.
- 2) System for the storage and management of information related to the execution of duties by Board Directors

Board of Directors meeting minutes, Management Meeting minutes, and other important documents related to decision-making in business execution are stored and managed in accordance with laws, regulations, and internal regulations.
- 3) Regulations and other systems concerning the management of the risk of loss of the Group
 - A. We define matters with the potential to have a significant negative impact on the realization of our management philosophy or our business continuity as “risks,” and has established a basic risk management policy to reduce the likelihood of these risks manifesting themselves, to prevent the expansion of damage in the event that a risk materializes and a crisis occurs, and to improve corporate value of the Group. We develop and improve a risk management promotion system and framework in accordance with the Basic Rules of Risk Management.
 - B. We have established the Risk Management Committee, which is chaired by the President and CEO, to identify “company-wide risks,” i.e., risks that should be addressed on a company-wide basis, taking into account the significance and priority of the risks surrounding the Group, the likelihood and timing of the materialization of risks, the likelihood and impact of impeding the achievement of the Medium-Term Management Plan, etc. The Risk Management Committee regularly reports to the Board of Directors on the progress made in response to company-wide risks, and is subject to the supervision and monitoring of the Board of Directors.
 - C. In accordance with the Basic Rules of Risk Management and the Rules on the Management of Subsidiaries, we

gather information on risks that have occurred within the Group, report to the Board of Directors or the Management Meeting as necessary, and provide appropriate support to each division and subsidiary.

4) System for ensuring the efficient execution of duties by Board Directors

Through the introduction of the Executive Officer system, we separate the business execution function from the supervisory function, clarify management responsibility, and aim for quicker decision-making and business execution. The Rules on the Board of Directors stipulate the criteria for matters to be submitted to the Board of Directors and define the primary roles of the Board of Directors as deciding on management strategies and policies and monitoring their execution. We aim to enhance the advisory function, strengthen the supervisory function, and increase effectiveness by appointing Independent Outside Board Directors that account for at least one-third of the Board Directors. By implementing internal regulations, such as the Rules on the Board of Directors, the Rules on the Division of Duties, the Rules on Job Authority, and the Rules on the Management of Subsidiaries, we ensure the appropriate delegation of authority and a system for enabling the appropriate and efficient execution of duties.

5) System for ensuring the adequacy of the Group's operations

In accordance with the Rules on Job Authority and the Rules on the Management of Subsidiaries, we appropriately delegate authority, and important management matters of each subsidiary are resolved at or reported to the Board of Directors or the Management Meeting. We hold regular meetings with the Board Directors of our subsidiaries to have them report on their management status, financial status, and other management concerns to gain insight into the situation of each subsidiary in a timely and appropriate manner. We provide various forms of support to our subsidiaries as necessary to ensure the adequacy of their operations. To strengthen governance across the entire Group, the Audit & Supervisory Board Members of the Company monitor the management status of each subsidiary and work to ensure the adequacy of operations. The Internal Audit Department conducts regular audits to check compliance with laws, regulations, the Articles of Incorporation, and internal regulations, as well as the adequacy of business execution procedures and content, and reports the results to the Board of Directors.

6) System for ensuring the accuracy of reporting and information regarding financial calculations

Based on the Financial Instruments and Exchange Act and other related laws and regulations, etc., we have established a policy for internal control over financial reporting in the Basic Rules of Internal Control, maintain and operate internal control over financial reporting, continuously evaluate its effectiveness, and make necessary corrections and improvements to ensure the reliability of financial reporting.

b. Overview of the liability limitation agreement

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act and Article 34 Paragraph 2 of the Articles of Incorporation, we have entered into an agreement with all Outside Board Directors and all Audit & Supervisory Board Members to limit their liability provided for in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under this agreement is the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act.

c. Overview of the indemnification agreement

We have entered into an indemnification agreement with all Board Directors and all Audit & Supervisory Board Members in accordance with the provisions of Article 430-2, Paragraph 1 of the Companies Act. The agreement indemnifies them against the expenses indicated in Item 1 and the losses indicated in Item 2 of Article 430-2, Paragraph 1 of the Companies Act. However, to ensure that the Board Directors and Audit & Supervisory Board Members execute their duties in an appropriate manner, the agreement does not provide coverage in the case of malice or gross negligence during the execution of their duties.

d. Overview of the Board Directors and officers liability insurance contract, etc.

We have entered into a Directors and Officers liability insurance with an insurance company in accordance with the provisions of Article 430-3, Paragraph 1 of the Companies Act, in which insurance shall cover damages and costs of dispute resolutions that the Board Directors and Audit & Supervisory Board Members, who are the insured party, are otherwise to bear under law. All insurance premiums are paid by the company and will be renewed with the same coverage at the next renewal.

- (v) Matters to be resolved by the General Meeting of Shareholders that may be resolved by the Board of Directors
 - a. Acquisition of treasury shares

The Company's Articles of Incorporation provide that the Company may redeem its treasury shares by resolution of the Board of Directors through market transactions or other means pursuant to Article 165, Paragraph 2 of the Companies Act, in order to flexibly carry out its management policies including capital policy in response to changes in the business environment.
 - b. Exemption of liability of Board Directors and Audit & Supervisory Board Members

Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, to ensure that Board Directors and Audit & Supervisory Board Members fully perform their expected roles, the Company's Articles of Incorporation stipulate that Board Directors (including former Board Directors) and Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) may be exempted from liability for damages referred to in Article 423, Paragraph 1 of the same Act, to the extent provided by laws and regulations by resolution of the Board of Directors.
 - c. Decision-making body for interim dividends

To flexibly distribute earnings to shareholders, the Company's Articles of Incorporation stipulate that interim dividends may be paid by resolution of the Board of Directors.
- (vi) Maximum number of Board Directors

The Company's Articles of Incorporation stipulate that the number of Board Directors shall be no more than 15.
- (vii) Requirements for resolution regarding election of Board Directors

The Company's Articles of Incorporation provide that resolution for the election of Board Directors requires attendance by shareholders with more than one-third of the voting rights of shareholders entitled to exercise voting rights, and is adopted by a majority of the votes of the shareholders present, and that the election of Board Directors shall not be conducted by cumulative voting.
- (viii) Requirements for special resolution at the General Meetings of Shareholders

The Company's Articles of Incorporation provide that the special resolution at a General Meeting of Shareholders pursuant to Article 309, Paragraph 2 of the Companies Act requires attendance by shareholders with more than one-third of the voting rights of shareholders entitled to exercise voting rights, and is adopted by a majority, representing two-thirds or more of the votes of the shareholders present. This arrangement aims to smoothly operate General Meetings of Shareholders by relaxing the quorum for special resolution at general meetings of shareholders.

(2) Board Directors

(i) List of Board Directors

11 male Board Directors and three female Board Directors (Ratio of female Board Directors: 21.4%)

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Chairperson	Ryuji Sato	October 18, 1959	<p>April 1981 December 1999 December 2000 March 2002 December 2003 March 2008 January 2024</p> <p>Joined the Company General Manager of Products Produce Dept. General Manager of Marketing Dept. Board Director and General Manager of Marketing Dept. Managing Executive Director Representative Director, President & CEO Chairperson (current position)</p>	(Note) 1	39
President and CEO	Hidenori Sakashita	February 3, 1976	<p>April 2001 October 2010 January 2018 March 2022 January 2024 January 2026</p> <p>Joined the Company President of MILBON USA, INC. General Manager of Corporate Strategy Development Dept. Board Director and General Manager of Corporate Strategy Development Dept., and in charge of Cosmetics Business Planning, ICT Strategies, and Board Director of KOSÉ MILBON COSMETICS CO., LTD. President & CEO President and CEO (current position)</p>	(Note) 1	12
Board Director, Senior Executive Officer	Kazunobu Konoike	November 8, 1969	<p>April 1992 March 2004 October 2010 December 2011 March 2012 December 2013 January 2018 January 2022 January 2024 January 2026</p> <p>Joined the Company President of MILBON USA, INC. General Manager of Corporate Planning Dept. General Manager of Corporate Strategy Development Dept. Board Director and General Manager of Corporate Strategy Development Dept. Board Director and General Manager of International Sales Dept. II Board Director and General Manager of Information System Dept. and in charge of CS Promotion Board Director and Director of Production Headquarters, and in charge of CS Promotion Board Director and Director of Production Headquarters, and in charge of Development Headquarters and Organic Business Board Director, Senior Executive Officer and Director of Production Headquarters, and in charge of Development Headquarters and Organic Business (current position)</p>	(Note) 1	8

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Board Director, Senior Executive Officer	Junji Morimoto	July 17, 1967	<p>April 1992 Joined the Company</p> <p>December 2005 General Manager of Tokyo Branch</p> <p>December 2007 General Manager of Osaka Branch</p> <p>December 2009 General Manager of Tokyo Branch</p> <p>January 2019 Executive Officer, General Manager of Tokyo Aoyama Branch, FP Headquarters</p> <p>January 2021 Executive Officer, Director of FP Headquarters</p> <p>January 2022 Executive Officer and Director of FP Headquarters, and in charge of FP Global Sales and Marketing, Education Planning</p> <p>March 2022 Board Director and Director of FP Headquarters, and in charge of FP Global Sales and Marketing, Education Planning</p> <p>January 2024 Board Director, and in charge of Corporate Administration, Internal Audit, and Quality Assurance</p> <p>January 2026 Board Director, Senior Executive Officer and General Manager of CS Promotion and Legal Dept., and in charge of Human Resources, Internal Audit, Finance, Corporate Communications, and Sustainability Promotion (current position)</p>	(Note) 1	12
Board Director, Senior Executive Officer	Harumichi Okazaki	March 9, 1974	<p>April 1996 Joined the Company</p> <p>January 2016 President of MILBON (THAILAND) CO., LTD.</p> <p>January 2018 President of MILBON USA, INC.</p> <p>January 2020 President of MILBON USA, INC. and General Manager of North America Region</p> <p>January 2022 Executive Officer, Director of International FP Sales and Marketing, and General Manager of North America Region and Europe Region</p> <p>January 2024 Executive Officer, Director of International FP Sales and Marketing and FP Headquarters, and in charge of Education Planning</p> <p>March 2024 Board Director, Director of International FP Sales and Marketing and FP Headquarters, and in charge of Education Planning</p> <p>January 2026 Board Director, Senior Executive Officer and Director of Global Sales and Marketing Headquarters, and in charge of FP Headquarters (current position)</p>	(Note) 1	5

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Board Director, Senior Executive Officer	Hiroyuki Ogata	July 13, 1975	<p>April 1999 Joined the Company</p> <p>January 2020 General Manager of Cosmetics Business Planning Dept. and Finance Dept.</p> <p>January 2022 Executive Officer and General Manager of Cosmetics Business Planning Dept. and Finance Dept.</p> <p>January 2023 Executive Officer and General Manager of Corporate Strategy Dept.</p> <p>January 2024 Executive Officer, Director of Corporate Strategy Headquarters, and Deputy President of KOSÉ MILBON COSMETICS CO., LTD.</p> <p>March 2024 Board Director, Director of Corporate Strategy Headquarters, and Deputy President of KOSÉ MILBON COSMETICS CO., LTD.</p> <p>January 2026 Board Director, Senior Executive Officer and Director of Corporate Strategy Development Headquarters and Marketing Headquarters, and Deputy President of KOSÉ MILBON COSMETICS CO., LTD. (current position)</p>	(Note) 1	6

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Board Director	Tsuneko Murata	September 27, 1958	<p>April 1982 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)</p> <p>May 2003 General Manager, Legal Affairs Department, Panasonic System Solutions of Matsushita Electric Industrial Co., Ltd.</p> <p>April 2007 Senior Councilor & General Manager, Legal Affairs & CSR Department of Home Appliances Company of Matsushita Electric Industrial Co., Ltd.</p> <p>June 2008 Member of Board of Directors of Matsushita Facilities Net Services Co., Ltd. (currently Panasonic Safety Service Co., Ltd.)</p> <p>February 2010 Director for Lifelong Learning Policy, Ministry of Education, Culture, Sports, Science & Technology Japan</p> <p>July 2013 Senior Councilor of Corporate Legal Affairs Division of Panasonic Corporation</p> <p>January 2014 Executive Director of Japan Pension Service</p> <p>January 2016 Auditor of Japan Pension Service</p> <p>June 2018 Member of the Audit and Supervisory Board of Japan Finance Corporation Outside Director and Audit and Supervisory Committee member of ADVANTEST CORPORATION</p> <p>June 2019 Director (Outside director), Audit & Supervisory Committee Member of Fujikura Ltd.</p> <p>March 2021 Outside Board Director of the Company (current position)</p> <p>June 2021 Outside Director of Kakuyasu Group Co., Ltd. (currently HitoMile Co., Ltd.) (current position)</p> <p>June 2022 External Director serving as Audit and Supervisory Committee Member of TOKYO SEIMITSU CO., LTD. Outside Director, Audit & Supervisory Committee Member of Sun Frontier Fudousan Co., Ltd.</p> <p>September 2023 Registered as certified fraud examiner</p> <p>June 2024 Outside Director of GECOSS CORPORATION (current position)</p> <p>October 2025 Outside Director of Sumitomo Precision Products CO., LTD. (current position)</p>	(Note) 1	1

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Board Director	Etsuhiro Takato	February 6, 1957	<p>April 1979 August 2002</p> <p>July 2007</p> <p>June 2009</p> <p>June 2013</p> <p>January 2015</p> <p>June 2015</p> <p>June 2016</p> <p>September 2016</p> <p>June 2017</p> <p>June 2019</p> <p>June 2021</p> <p>March 2022</p> <p>April 2022</p> <p>June 2022</p> <p>Joined Ajinomoto Co., Inc. President of PT AJINOMOTO INDONESIA General Manager of Umami Seasoning for Processing at Amino Acid Company Division of Ajinomoto Co., Inc. Executive Officer of Ajinomoto Co., Inc. President of AJINOMOTO DO BRASIL INDÚSTRIA E COMÉRCIO DE ALIMENTOS LTDA. Director and Managing Executive Officer of Ajinomoto Co., Inc. President of AJINOMOTO CO. (THAILAND) LTD. President of ASEAN Region Management Company of Ajinomoto Co., Inc. Executive Officer & Senior Vice President of Ajinomoto Co., Inc. General Manager, Food Products Division of Ajinomoto Co., Inc. Outside Director of TOKAI DENPUN CO., LTD. Representative Director of Ajinomoto Co., Inc. Director of Ajinomoto Co., Inc. Advisor of Ajinomoto Co., Inc. Outside Board Director of the Company (current position) Outside Director of TOKYO VERDY, Inc. (current position) Outside Director of Seven Bank, Ltd. (current position)</p>	(Note) 1	-

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Board Director	Chisa Hayakawa	June 27, 1968	<p>April 1991 Joined Sanyo Securities Company Limited</p> <p>March 1998 Joined FANCL CORPORATION</p> <p>November 2002 Registered as tax accountant</p> <p>July 2009 Joined Calbee, Inc.</p> <p>April 2013 Executive Officer and General Manager of Investor Relations Department of Calbee, Inc.</p> <p>April 2014 Executive Officer and General Manager of Corporate Planning Department and Investor Relations Department of Calbee, Inc.</p> <p>April 2017 Executive Officer and General Manager of East Japan Sales Department of Calbee, Inc.</p> <p>April 2019 Executive Officer and General Manager of Financial & Accounting Department of Calbee, Inc.</p> <p>June 2020 Outside Director of SHIBAURA MACHINE CO., LTD. (current position)</p> <p>April 2021 Executive Officer and General Manager, Investor Relations, Finance and Accounting Division of Calbee, Inc.</p> <p>March 2022 Outside Board Director of the Company (current position)</p> <p>April 2022 Managing Executive Officer & CFO of Calbee, Inc.</p> <p>April 2023 Executive Officer and Asia-Oceania Regional CFO of Calbee, Inc. (current position)</p>	(Note) 1	0
Board Director	Tomomi Fukumoto	February 18, 1959	<p>April 1981 Joined Suntory Spirits Ltd.</p> <p>January 2012 General Manager of Suntory Hall</p> <p>April 2015 Executive Officer, Vice Director of Corporate Communication Headquarters of Suntory Holdings Limited</p> <p>Executive Director, Director of Customer Relations Headquarters of Suntory Business Expert Ltd.</p> <p>April 2017 Director of Save the Children Japan (current position)</p> <p>April 2018 Executive Director, Director of Customer Relations Headquarters of Suntory Holdings Limited</p> <p>June 2019 Director of Japan Philharmonic Orchestra (current position)</p> <p>September 2021 Director of Japan Association for the 2025 World Exposition (current position)</p> <p>January 2022 Advisor of Suntory Holdings Limited</p> <p>April 2022 Executive Director, Director of Customer Relations Headquarters</p> <p>Senior Executive Director of Suntory Foundation for the Arts</p> <p>June 2022 Outside Board Director of Tokyo Kaikan Co., Ltd. (current position)</p> <p>Councilor of The Resona Foundation for Asia and Oceania (current position)</p> <p>March 2024 Outside Board Director of the Company (current position)</p> <p>April 2024 Senior Adviser of Suntory Foundation for the Arts (current position)</p> <p>June 2024 Outside Director of DAIWA HOUSE INDUSTRY CO., LTD. (current position)</p>	(Note) 1	-

			May 2025	Director of Mitsui Sumitomo Insurance Cultural Foundation (current position) Councilor of Tokyo College of Music (current position)		
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Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Board Director	Akihisa Nabeshima	January 17, 1960	<p>April 1982 Joined TEIJIN LIMITED</p> <p>April 2015 Teijin Group Corporate Officer</p> <p>April 2017 Teijin Group Executive Officer Leader, Healthcare Business Group President, Teijin Pharma Limited</p> <p>April 2019 President, Healthcare Business, TEIJIN LIMITED</p> <p>June 2019 Director and Executive Officer, President, Healthcare Business, TEIJIN LIMITED</p> <p>April 2021 Executive Officer, Representative Director of the Board, CFO, Chief Accounting and Financing Officer, TEIJIN LIMITED</p> <p>April 2022 Senior Executive Officer, Representative Director of the Board, CFO, Chief Accounting and Financing Officer, TEIJIN LIMITED</p> <p>April 2023 Director, Mission Executive Assistant to President, TEIJIN LIMITED</p> <p>March 2026 Outside Board Director of the Company (current position)</p>	(Note) 1	-

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Standing Audit & Supervisory Board Member	Mitsuru Oshio	December 16, 1965	<p>April 1988 Joined the Company</p> <p>December 2006 General Manager of Osaka Branch</p> <p>December 2007 General Manager of Fukuoka Branch</p> <p>December 2009 General Manager of Nagoya Branch</p> <p>December 2011 General Manager of Nagoya Branch and Business Development Dept.</p> <p>March 2012 Board Director and General Manager of Nagoya Branch and Business Development Dept.</p> <p>December 2013 Board Director and General Manager of Corporate Strategy Development Dept. and Business Development Dept.</p> <p>December 2014 Board Director and General Manager of Business Development Dept.</p> <p>January 2018 Board Director and in charge of Business Development</p> <p>March 2021 Standing Audit & Supervisory Board Member (current position)</p>	(Note) 2	26
Audit & Supervisory Board Member	Yoshihiko Okuda	August 20, 1957	<p>April 1976 Joined Fukuoka Regional Taxation Bureau</p> <p>July 2004 Associate Appeals Judge, Fukuoka Regional Tax Tribunal</p> <p>July 2006 Deputy District Director, Kokura Tax Office</p> <p>July 2009 Professor, Technical Education Department, National Tax College</p> <p>July 2013 District Director, Kanoya Tax Office</p> <p>April 2015 Director (Appeals Judge), Yokohama Branch, Tokyo Regional Tax Tribunal</p> <p>April 2017 Director, Takamatsu Regional Tax Tribunal</p> <p>March 2018 Attached to the Commissioner's Secretariat, National Tax Agency</p> <p>June 2018 Registered as tax accountant</p> <p>March 2020 Outside Audit & Supervisory Board Member of the Company (current position)</p> <p>December 2021 Director of SKM Business Co., Ltd. (current position)</p> <p>July 2024 Outside Director, Audit and Supervisory Committee Member of ITO EN, LTD. (current position)</p>	(Note) 3	-
Audit & Supervisory Board Member	Daisuke Umemoto	February 7, 1979	<p>April 2002 Joined Hewlett-Packard Japan, Ltd. (currently Hewlett Packard Japan, G.K.)</p> <p>December 2009 Attorney-at-law, BLAKEMORE & MITSUKI</p> <p>January 2017 Seconded to Telecommunications Bureau, Ministry of Internal Affairs and Communications (fixed-term public employee)</p> <p>May 2019 Director and Audit and Supervisory Committee Member, WACUL, INC.</p> <p>March 2021 Audit & Supervisory Board Member of Corning Japan K.K. (current position) Audit & Supervisory Board Member of Corning International K.K. (current position)</p> <p>April 2024 Attorney-at-law, Eichi Law Offices, LPC. (current position)</p> <p>December 2025 Temporary Audit & Supervisory Board Member of the Company</p> <p>March 2026 Outside Audit & Supervisory Board Member of the Company (current position)</p>	(Note) 4	-
Total					111

- (Notes)
1. As of the conclusion of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within one year after March 27, 2026.
 2. As of the conclusion of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within four years after March 27, 2025.
 3. As of the conclusion of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within four years after March 28, 2024.
 4. Audit & Supervisory Board Member Takashi Hirano passed away and retired from his position on December 2, 2025. Following his passing, the Audit & Supervisory Board lacked the statutory number of members by one person. Having applied to the Osaka District Court for the temporary appointment of an Audit & Supervisory Board Member, on December 23, 2025, we received notice from the Court that it had appointed Mr. Daisuke Umemoto as a temporary Audit & Supervisory Board Member, and he assumed the position on the same day. Furthermore, he assumed the position of Audit & Supervisory Board Member at the Ordinary General Meeting of Shareholders held on March 27, 2026. His term of office, in accordance with the Articles of Incorporation, shall be until the conclusion of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within four years after March 27, 2026.
 5. Board Directors Tsuneko Murata, Etsuhiro Takato, Chisa Hayakawa, Tomomi Fukumoto, and Akihisa Nabeshima are Outside Board Directors.
 6. Audit & Supervisory Board Members Yoshihiko Okuda and Daisuke Umemoto are Outside Audit & Supervisory Board Members.

(ii) Outside officers

The Company has five Outside Board Directors and two Outside Audit & Supervisory Board Members. There is no special interest between any of these outside officers and the Company except for having an ownership of the Company's shares described in (i) Board Directors and Officers.

Outside Board Director Tsuneko Murata concurrently serves as an Outside Director of HitoMile Co., Ltd., an Outside Director of GECOSS CORPORATION, and an Outside Director of Sumitomo Precision Products CO., LTD. There is no capital relationship, important business relationship or any other special interest between these companies and the Company.

Outside Board Director Etsuhiro Takato concurrently serves as an Outside Director of TOKYO VERDY, Inc. and an Outside Director of Seven Bank, Ltd. There is no capital relationship, important business relationship or any other special interest between these companies and the Company.

Outside Board Director Chisa Hayakawa concurrently serves as an Executive Officer and Asia-Oceania Regional CFO of Calbee, Inc. and an Outside Director of SHIBAURA MACHINE CO., LTD. There is no capital relationship, important business relationship or any other special interest between these companies and the Company.

Outside Board Director Tomomi Fukumoto concurrently serves as an Outside Director of Tokyo Kaikan Co., Ltd. and an Outside Director of Daiwa House Industry Co., Ltd. There is no capital relationship, important business relationship or any other special interest between these companies and the Company.

Outside Audit & Supervisory Board Member Yoshihiko Okuda is a tax accountant and he concurrently serves as the representative of Yoshihiko Okuda Tax Accountant Office, a Director of SKM Business Co., Ltd., and an Outside Director, Audit and Supervisory Committee Member of ITO EN, LTD. There is no capital relationship, important business relationship or any other special interest between these companies and the Company.

Outside Audit & Supervisory Board Member Daisuke Umemoto is an attorney-at-law at Eichi Law Offices, LPC. and he concurrently serves as an Audit & Supervisory Board Member of Corning Japan K.K. and an Audit & Supervisory Board Member of Corning International K.K. There is no capital relationship, important business relationship or any other special interest between these companies and the Company.

The Company's independence criteria for appointing Outside Board Directors and Outside Audit & Supervisory Board Members are as follows: they must not have any special interest in other Directors, Audit & Supervisory Board Members, or the Company; they must be independent; there must be no possibility of a conflict of interest with general shareholders; and they must meet the independence criteria stipulated by the Companies Act and the Tokyo Stock Exchange. There is no special interest between the five Outside Board Directors and two Outside Audit & Supervisory Board Members and the Company.

The five Outside Board Directors and two Outside Audit & Supervisory Board Members have been determined to have no potential conflicts of interest with general shareholders and have been registered with the Tokyo Stock Exchange, Inc. as independent officers as stipulated by the exchange.

(iii) Relationship between supervision or auditing by Outside Board Directors or Outside Audit & Supervisory Board Members and mutual coordination with internal audits, audits by Audit & Supervisory Board Members, and accounting audits, as well as the relationship with the internal control division

At Board of Directors meetings and other important meetings attended by Outside Board Directors and Outside Audit & Supervisory Board Members, important matters concerning the status of business execution by Board Directors, including internal audits, accounting audits, results of internal control development and evaluation, and the status of risk management and compliance, are proposed and reported. As necessary, the Board Director in charge of Corporate Administration and the Standing Audit & Supervisory Board Member provide information to Outside Board Directors and Outside Audit & Supervisory Board Members in the form of materials for the Board of Directors meetings.

(3) Audits

(i) Status of audits by Audit & Supervisory Board Members

a. Organization and personnel of the Audit & Supervisory Board

The Audit & Supervisory Board of the Company consists of a total of three members: one Standing Audit & Supervisory Board Member and two highly independent Outside Audit & Supervisory Board Members.

Standing Audit & Supervisory Board Member Mitsuru Oshio joined the Company in 1988, and after serving as General Manager of branches at our domestic sales locations, was in charge of the Corporate Strategy Development Department and the Business Development Department as a Board Director from 2012. He has been a Standing Audit & Supervisory Board Member since 2021. Outside Audit & Supervisory Board Member Yoshihiko Okuda is a tax accountant and has a significant level of knowledge of finance and accounting. The late Outside Audit & Supervisory Board Member Takashi Hirano, who passed away and retired on December 2, 2025, was an attorney-at-law and had a significant level of legal knowledge during his term of office. Temporary Audit & Supervisory Board Member Daisuke Umemoto is an attorney-at-law and has a significant level of legal knowledge.

b. Activities of the Audit & Supervisory Board

During the current fiscal year, 15 Audit & Supervisory Board meetings were held, and the attendance of individual members was as follows:

Title and position	Name	Attendance
Standing Audit & Supervisory Board Member	Mitsuru Oshio	100% (15/15)
Outside Audit & Supervisory Board Member	Yoshihiko Okuda	100% (15/15)
Outside Audit & Supervisory Board Member	Takashi Hirano	79% (11/14)
Temporary Audit & Supervisory Board Member	Daisuke Umemoto	-

(Notes) 1. Outside Audit & Supervisory Board Member Takashi Hirano passed away on December 2, 2025 and retired on the same day.

2. Temporary Audit & Supervisory Board Member Daisuke Umemoto was appointed as a temporary Audit & Supervisory Board Member on December 23, 2025 by a decision of the Osaka District Court. There were no Audit & Supervisory Board meetings held during the fiscal year after the date of his appointment.

The specific discussions by the Audit & Supervisory Board during the current fiscal year are as follows:

- Basic policy for audits by Audit & Supervisory Board Members, annual audit plan, and allocation of tasks
- Selection of Chairperson of the Audit & Supervisory Board, Standing Audit & Supervisory Board Member and specified Audit & Supervisory Board Member, and compensation for Audit & Supervisory Board Members
- Sharing the content of the Management Meeting and prior consultation on agenda items to be submitted to the Board of Directors meetings
- Results of on-site audits at domestic divisions and locations, and overseas subsidiaries
- Establishment and implementation status of the internal control system
- Verification of the business report, financial statements, and annual securities report, etc.
- Evaluation and resolution for the appointment of the Accounting Auditor, and consent to the audit fees
- Evaluation of the effectiveness of the Audit & Supervisory Board, etc.

c. Activities of Audit & Supervisory Board Members

Audit & Supervisory Board Members conduct audit activities according to the basic policy for audits by Audit & Supervisory Board Members, the annual audit plan, and allocation of tasks determined by the Audit & Supervisory Board, and share information among Audit & Supervisory Board Members on a monthly basis on the tasks individually conducted.

The main activities conducted during the current fiscal year are as follows:

- Attendance at the Board of Directors meetings and other important meetings

In addition to the Audit & Supervisory Board meetings, Audit & Supervisory Board Members attended the Board of Directors meetings, and the Standing Audit & Supervisory Board Member also attended the Management Meeting and regular meetings of overseas subsidiaries, etc. Audit & Supervisory Board Members expressed opinions as appropriate, and Outside Audit & Supervisory Board Members expressed opinions from their professional perspective as an attorney-at-law or a tax accountant.

- Interviews with Board Directors and Executive Officers

Audit & Supervisory Board Members conduct interviews with Board Directors and Executive Officers and deliver reports to them to check the status of on-site department audits, internal controls, and execution of their duties and

express opinions from the perspective of Audit & Supervisory Board Members. In the interviews with the President & CEO, discussions were held mainly on the Medium-Term Management Plan (2022-2026), which entered its fourth year, and the management plan for Fiscal Year 2026, as well as on the domestic and overseas business strategies; the financial strategy, including investment plans and cost of capital; the human resources strategy, including human capital; the environment surrounding the Company; internal controls; risk management; and compliance responses.

- On-site audits at domestic locations and overseas subsidiaries

On-site audits are actively conducted at domestic locations and overseas subsidiaries to examine the status of operations and assets. In the current fiscal year, the Standing Audit & Supervisory Board Member held interviews on overall operations, risks, and compliance responses in all domestic locations, six overseas subsidiaries (Milbon Korea, Milbon Trading (Shanghai), Milbon Europe, MILBON (THAILAND), MILBON MALAYSIA, and MILBON SINGAPORE, and domestic indirect divisions, including Production Headquarters, Development Headquarters, Corporate Administration Department, and CS Promotion Department. He, together with the Outside Audit & Supervisory Board Members, conducted on-site audits at five domestic locations, including interviews with the general managers and division heads, as well as physical inspections of inventory.

- Cooperation with Internal Audit Department and Accounting Auditor

Audit & Supervisory Board Members work to enhance coordination with the Internal Audit Department and Accounting Auditor to improve the effectiveness of the internal control system. They receive regular audit reports from the Internal Audit Department, participate in internal control audit review meetings, and receive reports on the status of accounting audits on a quarterly basis as well as regular reports on internal control from the Accounting Auditor. Furthermore, three-party audit joint meetings with the addition of the Internal Audit Department are held three times a year to share and exchange opinions on the status of each audit.

(ii) Status of internal audits

The Internal Audit Department (consisting of four staff members), which is independent from other business divisions, conduct internal audits at the Company based on the Rules on Internal Audits and an annual internal audit plan approved by the President & CEO, covering divisions and Group companies in Japan, and also evaluates internal controls related to financial reporting pursuant to the Financial Instruments and Exchange Act.

The audit results are regularly reported to the President & CEO, the Standing Audit & Supervisory Board Member, and the Board of Directors. Responses are requested from the audited divisions regarding the recommendations for improvement, and the status of subsequent corrective actions is confirmed.

In addition, to ensure the effectiveness and efficiency of audits, the Internal Audit Department holds three-party audit joint meetings with the Audit & Supervisory Board and the Accounting Auditor three times a year, and holds information exchange meetings as needed to strengthen cooperation among the three parties. Audit issues seen from the perspective of each party are shared and solutions are discussed at the three-party audit joint meetings.

(iii) Accounting audits

a. Name of audit firm
GYOSEI & CO.

b. Continuous audit period: 34 years

c. Engagement certified public accountants
Engagement partner Toshiya Shinshima
Engagement partner Takaaki Hasegawa

d. Other personnel engaged in assisting the accounting audit

Sixteen certified public accountants and 13 personnel who have passed the certified public accountant exam engage in assisting the accounting audit of the Company.

e. Policy and reasons for selecting audit firm

The Audit & Supervisory Board of the Company comprehensively evaluates and makes a decision on the selection of the accounting auditor based on the “Practical Guidelines for Audit & Supervisory Board Members on the Evaluation of Accounting Auditors and the Establishment of Selection Standards” published by the Japan Audit & Supervisory Board Members Association, confirming the status of quality control, independence and expertise of the accounting auditor, the establishment of an audit system, the specific audit plan and whether audit fees are reasonable and appropriate, as well as audit results.

GYOSEI & CO. ensures the adequacy of the audit plan, audit method and audit implementation system, as well as smooth communication with the Company’s management (Board Directors, etc.), Audit & Supervisory Board and Internal

Audit Department.

The Audit & Supervisory Board will dismiss the Accounting Auditor with the unanimous consent of the Audit & Supervisory Board Member if the Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act. In this case, the Audit & Supervisory Board Member selected by the Audit & Supervisory Board will report the dismissal of the accounting auditor and the reasons for the dismissal at the first General Meeting of Shareholders convened after the dismissal.

f. Evaluation of the audit firm by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board of the Company has established standards for the evaluation and appointment of accounting auditors, and evaluates the work of the accounting auditor in each fiscal year in accordance with the standards. The criteria set by the Company were met in the results of the evaluation.

(iv) Audit fees, etc.

a. Fees paid to the certified public accountants, etc.

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services (thousand yen)	Fees for non-audit services (thousand yen)	Fees for audit services (thousand yen)	Fees for non-audit services (thousand yen)
Reporting company	30,000	-	39,000	-
Consolidated subsidiaries	-	-	-	-
Total	30,000	-	39,000	-

b. Fees for member firms of certified public accountants, etc. (excluding a.)

Not applicable.

c. Other important details of fees for audit service

(Previous fiscal year)

Not applicable.

(Current fiscal year)

Not applicable.

d. Policy for determining audit fees

The Company's audit fees to certified public accountants is determined by taking into consideration the reasonable number of audit days, etc., based on the scale of the Company's business.

e. Reasons the Audit & Supervisory Board's consent to the fees, etc., of the accounting auditor

Based on the "Practical Guidelines for Cooperation with Accounting Auditors" of the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board has analyzed and evaluated the audit results for the previous fiscal year and reviewed the audit fees and audit plan for the current fiscal year presented by the accounting auditor, and as a result, has determined that the said fees, etc., are appropriate and gave consent to the terms of Article 399, Paragraph 1 of the Companies Act.

(4) Compensation for Board Directors

(i) Policy for determining amount or calculation method of compensation for Board Directors

a. Policy for determining amount of compensation for Board Directors

At its meeting held on March 11, 2022, the Company's Board of Directors approved a policy for determining the details of individual Board Director compensation. The Board of Directors consults the Nominations and Compensation Committees on the details of the resolution to be adopted in advance and received a report from the Nominations and Compensation Committees. In addition, the Board of Directors has confirmed that the method of determining the details of compensation, etc., and the details of compensation, etc., determined for each individual Board Director for the relevant fiscal year are consistent with such determination policy and that the report from the Nominations and Compensation Committees is respected, and the Board of Directors has determined that such determination policy is in line with such policy.

The details of the Company's policy for determining the details of compensation, etc., for each individual Board Director are as follows.

1) Basic policy for Board Director compensation

Compensation for Board Directors (excluding Outside Board Directors) shall consist of base compensation, performance-linked compensation, and stock-based compensation as an incentive to continuously increase corporate value, in order to encourage each Board Director to perform his/her duties with an awareness of business performance and sustainable improvement of corporate value. The Board of Directors also consults the Nomination and Compensation Committee, which is comprised mainly of Outside Board Directors, on proposed compensation amounts, and determines individual compensation amounts after obtaining advice as necessary. Outside Board Directors and Audit & Supervisory Board Members shall receive only base compensation, as they are independent from the execution of business operations, and compensation linked to performance is not appropriate for them.

2) Method of calculating compensation for Board Directors (excluding Outside Board Directors)

A. Basic compensation

The amount of basic compensation is determined in accordance with the Board Director's position and paid in cash monthly.

B. Performance-linked compensation

In order to raise awareness of the need to improve the Company's performance in each fiscal year, performance-linked compensation is calculated by adding up the percentage of achievement of each performance indicator target multiplied by the weighting ratio, and then multiplying the performance-linked coefficient corresponding to the percentage of achievement of the target by the performance-linked standard amount corresponding to the position, and is paid in cash once a year (in April). The performance indicators, performance-linked coefficients and actual performance-linked compensation are as follows.

(Performance indicator)

Consolidated net sales: Weight 40% / Consolidated operating profit: Weight 40% / Consolidated profit: Weight 20%

(Performance-linked coefficient)

Target achievement	Performance-linked coefficient
Over 120%	200%
Over 115%, less than 120%	175%
Over 110%, less than 115%	150%
Over 105%, less than 110%	125%
Over 100%, less than 105%	100%
Over 95%, less than 100%	90%
Over 90%, less than 95%	80%
Over 85%, less than 90%	70%
Over 80%, less than 85%	50%
Less than 80%	0%

3) Stock-based compensation

Stock-based compensation is granted once a year (around May) with a restriction on transfer until retirement of the Company's shares equivalent to the amount obtained by multiplying the base compensation plus the performance-linked compensation by 20%.

4) Ratio of compensation, etc., by type

The ratio of each type of compensation for Board Directors (excluding Outside Board Directors) is as follows:

Basic compensation : Performance-linked compensation = 70% : 30%

Stock-based compensation = (Basic compensation + Performance-linked compensation)x20%

(ii) Total amount of compensation, etc., by category of Board Director, total amount of compensation, etc., by type of compensation, and number of recipients of reporting company

Officer category	Total amount of compensation (thousand yen)	Total amount of compensation, etc., by type of compensation (thousand yen)			Number of recipients (persons)
		Basic compensation	Performance-linked compensation	Stock-based compensation	
Board Director (excluding Outside Board Director)	350,421	249,444	39,300	61,677	7
Audit & Supervisory Board Member (excluding Audit & Supervisory Board Member)	32,004	32,004	-	-	1
Outside Officer	66,048	66,048	-	-	8

(Notes) 1. At the 62nd Ordinary General Meeting of Shareholders held on March 29, 2022, it was resolved that the amount of cash compensation for Board Directors shall be "no more than 500 million yen per year (including 70 million yen for Outside Board Directors)" (not including employee salaries paid to Board Directors who concurrently serve as employees). The number of Board Directors as of the conclusion of said Ordinary General Meeting of Shareholders was 11 (including five Outside Board Directors).

2. The amount of compensation for Audit & Supervisory Board Members includes the compensation for one Outside Audit & Supervisory Board Member who passed away and retired in December 2025, and one temporary Audit & Supervisory Board Member who was appointed in December 2025.

(iii) Results for performance-linked compensation in the current fiscal year

Performance indicator	Fiscal year ended December 31, 2025			Weight (%)
	Target (Million yen)	Result (Million yen)	Achievement rate (%)	
Consolidated net sales	54,250	52,863	97.4	40.0
Consolidated operating income	7,000	5,652	80.7	40.0
Profit attributable to owners of parent	5,200	3,437	66.1	20.0

(Note) Target achievement rate for the fiscal year ended December 31, 2025: $97.4\% \times 40\% + 80.7\% \times 40\% + 66.1\% \times 20\% = 84.5\%$

(iv) Total amount of consolidated compensation, etc., by Board Director of the reporting company

Not stated because there are no persons whose total amount of consolidated compensation, etc., is 100 million yen or more.

(5) Shareholdings

(i) Criteria for and approach to investment shares

The Company classifies shares as investment shares held for pure investment if they are held for the purpose of making profit from changes in the value of shares or dividends on shares, and other shares as investment shares (cross-shareholdings) held for purposes other than pure investment.

(ii) Investment shares held for purposes other than pure investment

a. Policy of shareholding, method for verifying the rationality of shareholding, and details of verification of the suitability of holding individual shares by the Board of Directors, etc.

The Company's policy is to hold only shares of business partners for which there is a rational reason, such as strengthening ties in anticipation of business expansion. For rationality of holdings these shares, the Board of Directors makes a comprehensive judgment, and if the Board of Directors determines that there is no rationality in holding these shares, it will consider such measures as reducing the number of shares held.

b. Number of individual shares and carrying amount

	Number of individual shares	Carrying amount (thousand yen)
Unlisted shares	-	-
Shares other than the above	1	642,800

(Stocks whose number of shares increased in the current fiscal year)

	Number of individual shares	Total acquisition cost related to increase in number of shares (thousand yen)	Reasons for an increase in number of shares
Unlisted shares	-	-	-
Shares other than the above	-	-	-

(Stocks whose number of shares decreased in the current fiscal year)

	Number of individual shares	Total sale price related to decrease in number of shares (thousand yen)
Unlisted shares	-	-
Shares other than the above	-	-

- c. Information on number of shares, amounts in the balance sheet, etc., of specified investment shares and deemed investment shares by individual shares

Specified investment shares

Issuing company	Current fiscal year		Previous fiscal year		Purpose of holding, outline of business alliances, etc., quantitative effect of holding, and reasons for increase in number of shares	Shareholding in the Company
	Number of shares (shares)	Number of shares (shares)	Number of shares (shares)	Number of shares (shares)		
	Amounts in the consolidated balance sheets (thousand yen)	Amounts in the consolidated balance sheets (thousand yen)	Amounts in the consolidated balance sheets (thousand yen)	Amounts in the consolidated balance sheets (thousand yen)		
KOSÉ Corporation	120,000	120,000			(Purpose of holding) Strengthening collaboration for future business expansion (Outline of business alliances, etc.) Joint development of skincare and make-up products for hair salons and implementation of sales in Japan (Quantitative effect of holding) (Note)	Yes
	642,800	861,480				

(Note) Although it is difficult to describe the quantitative effect of holding, a comprehensive study of the holding effect is conducted, taking into account a review of the cost of capital.

(iii) Investment shares held for pure investment

Category	Current fiscal year		Previous fiscal year	
	Number of individual shares (Individual shares)	Carrying amount (thousand yen)	Number of individual shares (Individual shares)	Carrying amount (thousand yen)
Unlisted shares	4	14,000	4	14,000
Shares other than the above	-	-	-	-

Category	Current fiscal year		
	Total dividend income (thousand yen)	Total income (loss) from sales (thousand yen)	Total unrealized gains (loss) (thousand yen)
Unlisted shares	192	-	-
Shares other than the above	-	-	-

V. Financial Information

1. Method of Preparing Consolidated Financial Statements and Financial Statements

- (1) The Company prepares its consolidated financial statements in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976).
- (2) The Company prepares its financial statements in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as the “Regulation on Financial Statements”).

In addition, the Company falls under a special company submitting financial statements, and prepares its financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

2. Audit Certification

The Company’s consolidated financial statements for the fiscal year from January 1, 2025 to December 31, 2025 and the financial statements for the fiscal year from January 1, 2025 to December 31, 2025 have been audited by GYOSEI & CO. in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company has undertaken special efforts to ensure the appropriateness of its consolidated financial statements, etc. Specifically, in order to develop a system for gaining proper understanding of the details of accounting standards, etc., or appropriately responding to changes in such standards, the Company has joined the Financial Accounting Standards Foundation and regularly collects information.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Assets		
Current assets		
Cash and deposits	13,829,730	11,816,180
Notes and accounts receivable - trade	*1, *2 6,037,963	*1, *2 5,956,056
Merchandise and finished goods	7,815,306	8,001,451
Work in process	58,436	48,022
Raw materials and supplies	2,430,008	2,490,061
Other	778,634	851,367
Allowance for doubtful accounts	(14,103)	(62,082)
Total current assets	30,935,977	29,101,056
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,331,993	18,983,235
Accumulated depreciation	(7,605,692)	(8,014,204)
Buildings and structures, net	9,726,301	10,969,030
Machinery, equipment and vehicles	10,592,607	10,972,904
Accumulated depreciation	(7,115,423)	(7,719,600)
Machinery, equipment and vehicles, net	3,477,183	3,253,304
Land	6,478,922	6,449,665
Construction in progress	1,634,978	1,236,647
Other	4,158,351	4,463,366
Accumulated depreciation	(3,167,933)	(3,462,290)
Other, net	990,417	1,001,076
Total property, plant and equipment	22,307,804	22,909,724
Intangible assets	1,675,032	1,538,722
Investments and other assets		
Investment securities	875,480	642,800
Long-term loans receivable	28,565	49,671
Net defined benefit asset	739,025	1,861,677
Deferred tax assets	940,314	283,973
Other	1,422,145	1,667,338
Allowance for doubtful accounts	(25,290)	(253,193)
Total investments and other assets	3,980,240	4,252,267
Total non-current assets	27,963,077	28,700,715
Total assets	58,899,055	57,801,771

(Thousand yen)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Liabilities		
Current liabilities		
Accounts payable - trade	1,444,264	1,436,502
Accounts payable - other	4,545,685	3,990,075
Income taxes payable	1,229,121	435,172
Provision for bonuses	612,819	627,958
Other	*3 1,376,179	*3 1,195,536
Total current liabilities	9,208,070	7,685,245
Non-current liabilities		
Net defined benefit liability	17,278	21,949
Asset retirement obligations	737,191	917,672
Other	119,425	118,143
Total non-current liabilities	873,895	1,057,765
Total liabilities	10,081,966	8,743,011
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	298,667	199,120
Retained earnings	45,232,474	43,576,061
Treasury shares	(1,906,453)	(1,493,326)
Total shareholders' equity	45,624,687	44,281,854
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(398,009)	-
Foreign currency translation adjustment	3,239,389	3,738,003
Remeasurements of defined benefit plans	351,021	1,038,902
Total accumulated other comprehensive income	3,192,401	4,776,906
Total net assets	48,817,089	49,058,760
Total liabilities and net assets	58,899,055	57,801,771

2) Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income
Consolidated Statements of Earnings

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Net sales	*1 51,316,414	*1 52,863,291
Cost of sales	*2 18,718,804	*2 19,686,901
Gross profit	32,597,609	33,176,390
Selling, general and administrative expenses	*3, *4 25,758,091	*3, *4 27,523,586
Operating income	6,839,518	5,652,803
Non-operating income		
Interest income	24,198	19,940
Dividend income	17,227	10,692
Insurance claim income	-	22,561
Company house defrayment income	4,737	4,003
Subsidy income	32,938	24,639
Foreign exchange gains	70,268	-
Other	22,459	54,373
Total non-operating income	171,830	136,209
Non-operating expenses		
Share of loss of entities accounted for using equity method	11,052	29,639
Foreign exchange losses	-	54,267
Provision of allowance for doubtful accounts	17,600	223,379
Other	14,268	26,013
Total non-operating expenses	42,921	333,300
Ordinary income	6,968,427	5,455,712
Extraordinary income		
Gain on sales of non-current assets	-	*5 291,704
Gain on sales of investment securities	19,568	-
Total extraordinary income	19,568	291,704
Extraordinary losses		
Loss on retirement of non-current assets	*6 19,339	*6 14,750
Loss on sales of non-current assets	-	0
Loss on sales of investment securities	284	-
Valuation loss on investment securities	-	806,180
Total extraordinary losses	19,623	820,931
Profit before income taxes	6,968,372	4,926,485
Income taxes - current	1,892,009	1,323,187
Income taxes - deferred	58,794	165,386
Total income taxes	1,950,803	1,488,573
Profit	5,017,568	3,437,911
Profit attributable to owners of parent	5,017,568	3,437,911

Consolidated Statements of Comprehensive Income

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Profit	5,017,568	3,437,911
Other comprehensive income		
Valuation difference on available-for-sale securities	(291,281)	398,009
Foreign currency translation adjustment	865,576	498,614
Remeasurements of defined benefit plans, net of tax	89,927	687,880
Total other comprehensive income	* 664,222	* 1,584,504
Comprehensive income	5,681,791	5,022,415
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,681,791	5,022,415
Comprehensive income attributable to non-controlling interests	-	-

3) Consolidated Statements of Changes in Shareholders' Equity
Previous fiscal year (from January 1, 2024 to December 31, 2024)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,000,000	306,957	43,079,323	(1,982,161)	43,404,119
Changes of items during period					
Dividends of surplus			(2,864,417)		(2,864,417)
Profit attributable to owners of parent			5,017,568		5,017,568
Purchase of treasury shares				(414)	(414)
Disposal of treasury shares		(8,290)		76,123	67,832
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(8,290)	2,153,151	75,708	2,220,568
Balance at end of period	2,000,000	298,667	45,232,474	(1,906,453)	45,624,687

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(106,728)	2,373,812	261,094	2,528,178	45,932,297
Changes of items during period					
Dividends of surplus					(2,864,417)
Profit attributable to owners of parent					5,017,568
Purchase of treasury shares					(414)
Disposal of treasury shares					67,832
Net changes of items other than shareholders' equity	(291,281)	865,576	89,927	664,222	664,222
Total changes of items during period	(291,281)	865,576	89,927	664,222	2,884,791
Balance at end of period	(398,009)	3,239,389	351,021	3,192,401	48,817,089

Current fiscal year (from January 1, 2025 to December 31, 2025)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,000,000	298,667	45,232,474	(1,906,453)	45,624,687
Changes of items during period					
Dividends of surplus			(2,866,679)		(2,866,679)
Profit attributable to owners of parent			3,437,911		3,437,911
Purchase of treasury shares				(2,000,372)	(2,000,372)
Disposal of treasury shares		(17,945)		104,252	86,306
Cancellation of treasury shares		(81,601)	(2,227,644)	2,309,245	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(99,547)	(1,656,413)	413,126	(1,342,833)
Balance at end of period	2,000,000	199,120	43,576,061	(1,493,326)	44,281,854

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(398,009)	3,239,389	351,021	3,192,401	48,817,089
Changes of items during period					
Dividends of surplus					(2,866,679)
Profit attributable to owners of parent					3,437,911
Purchase of treasury shares					(2,000,372)
Disposal of treasury shares					86,306
Cancellation of treasury shares					-
Net changes of items other than shareholders' equity	398,009	498,614	687,880	1,584,504	1,584,504
Total changes of items during period	398,009	498,614	687,880	1,584,504	241,671
Balance at end of period	-	3,738,003	1,038,902	4,776,906	49,058,760

4) Consolidated Statements of Cash Flows

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Cash flows from operating activities		
Profit before income taxes	6,968,372	4,926,485
Depreciation	2,289,076	2,317,284
Increase (decrease) in allowance for doubtful accounts	(6,693)	275,882
Increase (decrease) in provision for bonuses	26,956	13,265
Decrease (increase) in net defined benefit asset	(98,391)	(118,446)
Increase (decrease) in net defined benefit liability	793	3,246
Interest and dividend income	(41,425)	(30,632)
Share of loss (profit) of entities accounted for using equity method	11,052	29,639
Foreign exchange losses (gains)	(135,585)	(41,627)
Loss (gain) on sales of investment securities	(19,284)	-
Loss (gain) on investment securities	-	806,180
Loss (gain) on sales of non-current assets	-	(291,704)
Loss on retirement of non-current assets	19,339	14,750
Decrease (increase) in trade receivables	(646,187)	101,483
Decrease (increase) in inventories	(1,053,494)	(123,484)
Increase (decrease) in trade payables	474,355	(47,682)
Other	908,661	(367,699)
Subtotal	8,697,545	7,466,942
Interest and dividend income received	40,369	29,183
Income taxes paid	(1,112,055)	(2,112,165)
Net cash provided by (used in) operating activities	7,625,859	5,383,960
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,194,486)	(2,948,364)
Proceeds from sales of property, plant and equipment	-	400,625
Purchase of intangible assets	(346,085)	(385,996)
Payments of loans receivable	-	(1,300)
Collection of loans receivable	460	970
Payments into time deposits	-	(228,747)
Proceeds from sales of investment securities	36,342	-
Payments for guarantee deposits	(64,768)	(39,553)
Proceeds from collection of guarantee deposits	16,199	27,324
Other	21,220	160,740
Net cash provided by (used in) investing activities	(2,531,118)	(3,014,300)
Cash flows from financing activities		
Purchase of treasury shares	(414)	(2,000,372)
Proceeds from disposal of treasury shares	58	124
Cash dividends paid	(2,861,730)	(2,864,786)
Net cash provided by (used in) financing activities	(2,862,086)	(4,865,034)
Effect of exchange rate change on cash and cash equivalents	253,852	230,392
Net increase (decrease) in cash and cash equivalents	2,486,505	(2,264,982)
Cash and cash equivalents at beginning of period	11,292,078	13,778,584
Cash and cash equivalents at end of period	* 13,778,584	* 11,513,601

Notes to the Consolidated Financial Statements

(Significant matters that serve as the basis for preparation of consolidated financial statements)

1. Matters regarding the scope of consolidation

Number of consolidated subsidiaries: 9

Names of consolidated subsidiaries

MILBON USA, INC.

Milbon Trading (Shanghai) Co., Ltd.

Milbon Korea Co., Ltd.

MILBON (THAILAND) CO., LTD.

MILBON MALAYSIA SDN. BHD.

MILBON VIETNAM CO., LTD.

MILBON SINGAPORE PTE. LTD.

Milbon (Zhejiang) Cosmetics Co., Ltd.

Milbon Europe GmbH

2. Matters regarding the application of equity method

Number of associates accounted for by the equity method: 1

Names of companies, etc.

KOSÉ Milbon Cosmetics Co., Ltd.

3. Matters regarding fiscal years, etc., of consolidated subsidiaries

The account closing dates of consolidated subsidiaries are the same as the consolidated account closing date.

4. Matters regarding accounting policies

(1) Valuation standards and methods for significant assets

(i) Securities

Available-for-sale securities

Other than shares, etc., without market price

Stated at market value (unrealized gains and losses are reported as a separate component of net assets, and cost of sales is calculated by the moving-average method)

Shares, etc., without market price

Stated at cost using the moving-average method

(ii) Inventories

Merchandise, finished goods, work in process, raw materials, and supplies

Stated primarily at cost using the weighted average method (the balance sheet values are calculated using the inventory write-down method based on decreased profitability)

(2) Depreciation and amortization methods for significant depreciable assets

(i) Property, plant and equipment

They are depreciated using the straight-line method.

The estimated useful lives of major asset items are as follows:

Buildings and structures: 2 to 50 years

Machinery, equipment and vehicles: 2 to 17 years

(ii) Intangible assets

They are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over the estimated period of internal use (2 to 5 years).

(3) Accounting standards for significant allowances

(i) Allowance for doubtful accounts

To prepare for losses arising from uncollectible receivables, the Company and its overseas consolidated subsidiaries record an allowance for doubtful accounts at an estimated uncollectible amount based on the historical rate of credit losses with respect to general receivables, and in consideration of individual collectability with respect to doubtful accounts and other specific receivables.

(ii) Provision for bonuses

To provide for payment of bonuses to employees (including those for employees also serving as officers), the Company and its overseas consolidated subsidiaries record a provision for bonuses based on the estimated payment amount.

(4) Accounting methods for retirement benefits

(i) Method of attributing expected retirement benefits to periods

In calculating retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the current fiscal year based on the benefit formula basis.

(ii) Method of amortizing actuarial differences and past service costs

Actuarial gains and losses are amortized using the straight-line method over a certain number of years (5 years) within the average remaining years of service of the eligible employees at the time of occurrence, starting from the fiscal year following the occurrence.

Prior service cost is amortized using the straight-line method over a certain number of years (5 years) within the average remaining years of service of the eligible employees at the time of occurrence.

(iii) Adoption of a simplified method in small companies, etc.

Certain overseas consolidated subsidiaries apply a simplified method to calculate net defined benefit liability and retirement benefit expenses based on the method where the amount of retirement benefits to be paid for voluntary retirement at the end of the fiscal year represents the amount of retirement benefit obligations.

(5) Accounting standards for significant revenue and expenses

The principal performance obligations relating to revenue from contracts with customers of the Group, as well as the standard point at which such obligations are satisfied (i.e., the point at which revenue is recognized) are explained as follows.

The Group is engaged in the manufacturing and sale of cosmetic products. In terms of the sale of such goods or products, revenue is recognized upon delivery of the goods or products to customers. However, revenue is recognized at the time of shipment if the period from the time of shipment to the point at which control of the goods or products is transferred to the customer is the standard period.

Revenue is measured by the amount of consideration promised in the contract with the customer, less any applicable rebates and returns.

The transaction consideration is typically received within one month of the fulfillment of the performance obligation and does not contain any significant financial elements.

(6) Translation standards of significant assets and liabilities denominated in foreign currencies into Japanese yen

Foreign currency denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rate on the consolidated closing date, and foreign exchange gains and losses from translation are recognized as profit or loss. The assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rate on the local account closing dates of overseas consolidated subsidiaries, while revenue and expenses are translated into Japanese yen at the average exchange rate for the period, and foreign exchange gains and losses from translation are recorded in foreign currency translation adjustment under net assets.

(7) Scope of funds in the consolidated statements of cash flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows comprise cash on hand, deposits available for withdrawal as needed, and short-term investments due for redemption within three months from the date of acquisition, which are easily cashable and are subject to minimal risk of fluctuations in value.

(Significant accounting estimates)

Valuation of merchandise and finished goods

(1) Amount recorded in consolidated financial statements for the current fiscal year

(Thousand yen)

	Previous fiscal year	Current fiscal year
Merchandise and finished goods	7,815,306	8,001,451

(Note) The amounts shown above represent those after deducting the amounts of write-down due to decreased profitability (1,239,800 thousand yen for the previous fiscal year, 755,601 thousand yen for the current fiscal year).

(2) Information to aid in understanding the details of accounting estimates

In the calculation using the method of write-down based on decreased profitability, regarding merchandise and finished goods, a method, in which the planned shipment volume and the inventory volume at the end of the fiscal year are compared for each merchandise and finished good, and the amount of slow-moving inventories exceeding the planned shipment volume for a certain period is written down, and other methods are adopted.

These accounting estimates may be affected by changes in the future uncertain market environment and other factors, and if such changes have a significant impact on sales volume or sales strategies, the effects may be reflected in the valuation of inventories in the following fiscal year.

(Changes in accounting policies)

(Application of the “Accounting Standard for Current Income Taxes,” etc.)

The “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022), etc., have been applied from the beginning of the current fiscal year.

This change in accounting policies had no impact on the consolidated financial statements.

(New accounting standards not yet applied)

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Summary

As part of initiatives to align Japanese generally accepted accounting principles (GAAP) with international accounting standards, the Accounting Standards Board of Japan (ASBJ) has conducted deliberations based on the international accounting standards with the aim of developing new accounting standards for leases, by which a lessee recognizes assets and liabilities for all leases. Employing the basic policy of adopting not all stipulations but only key stipulations of IFRS 16, while placing its basis on a single accounting treatment model of IFRS 16, ASBJ released the accounting standard for leases, etc., that are simple and of high convenience, and that also aim to basically eliminate the need for restatements when the stipulations of IFRS 16 are applied to non-consolidated financial statements.

With regard to accounting treatment for a lessee, the single accounting treatment model is applied to the cost allocation for leases of a lessee, under which, as under IFRS 16, a lessee is required to record depreciation of right-of-use assets and the amount equivalent to interest for lease liabilities for all leases, whether they are a finance lease transaction or an operating lease transaction.

(2) Scheduled date of application

Scheduled to apply from the beginning of the fiscal year ending December 31, 2028.

(3) Impact of applying these accounting standards, etc.

The impact on the consolidated financial statements due to the application of the “Accounting Standard for Leases,” etc., is currently being evaluated.

(Changes in presentation)

(Consolidated statements of cash flows)

In the previous fiscal year, “net decrease (increase) in treasury shares” under “cash flows from financing activities” were presented on a net basis. However, due to increased materiality of the amount, the increase and decrease have been presented separately from the current fiscal year. To reflect this change in presentation, the consolidated statements of cash flows for the previous fiscal year have been reclassified.

As a result, (356) thousand yen, which was previously presented as “net decrease (increase) in treasury shares” under “cash flows from financing activities” in the consolidated statements of cash flows for the previous fiscal year, has been reclassified into “purchase of treasury shares” of (414) thousand yen and “proceeds from disposal of treasury shares” of 58 thousand yen.

(Consolidated balance sheets)

*1 Treatment of notes due at the fiscal year-end

Notes due at the end of the fiscal year are treated as settled on the due date.

As the fiscal year-end fell on a holiday for financial institutions, the following notes due at the fiscal year-end are treated as settled on the due date.

(Thousand yen)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Notes receivable - trade	70,331	37,821

*2 Receivables from contracts with customers in notes and accounts receivable - trade are as follows:

(Thousand yen)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Notes receivable - trade	158,357	93,168
Accounts receivable - trade	5,879,605	5,862,887

*3 “Contract liabilities” are included in “other” under “current liabilities.” The amount of the “contract liabilities” is as described in “Notes to the Consolidated Financial Statements (Revenue recognition), 3. Information on the reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and information on the amount and timing of revenue that is expected to be recognized after the following fiscal year arising from contracts with customers that exist at the end of the current fiscal year, (1) Balance of contract liabilities, etc.”

(Consolidated statements of earnings)

*1 Revenue from contracts with customers

The Company does not disaggregate revenues from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in “Notes to the Consolidated Financial Statements (Revenue recognition), 1. Disaggregation of revenue from contracts with customers” in the consolidated financial statements.

*2 Amount of write-down of inventories held for sale in the ordinary course of business due to decreased profitability

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Cost of sales	1,239,800	755,601

*3 Major expenses included in selling, general and administrative expenses and their amounts

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Remuneration, salaries and allowances	6,819,627	7,180,930
Logistics expenses	3,953,310	4,174,305
Promotion expenses	1,461,613	1,566,988
Provision for bonuses	454,398	466,859
Retirement benefit expenses	299,777	307,433
Provision of allowance for doubtful accounts	(14,103)	47,979

*4 The total amount of research and development expenses included in general and administrative expenses

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Research and development expenses	2,452,412	2,672,584

*5 Breakdown of gain on sales of non-current assets

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Buildings and structures	-	147,987
Land	-	143,090
Other	-	625
Total	-	291,704

*6 Breakdown of loss on retirement of non-current assets

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Buildings and structures	18,570	13,554
Machinery, equipment and vehicles	708	0
Other	60	1,196
Total	19,339	14,750

(Consolidated statements of comprehensive income)

* Reclassification adjustments, income taxes and tax effects relating to other comprehensive income

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Valuation difference on available-for-sale securities		
Amount arising during the fiscal year	(400,429)	-
Reclassification adjustments	(19,284)	573,500
Before income taxes and tax effect adjustments	(419,714)	573,500
Income taxes and tax effects	128,432	(175,491)
Valuation difference on available-for-sale securities	(291,281)	398,009
Foreign currency translation adjustment		
Amount arising during the fiscal year	865,576	498,614
Remeasurements of defined benefit plans, net of tax		
Amount arising during the fiscal year	233,649	1,123,122
Reclassification adjustments	(104,070)	(118,917)
Before income taxes and tax effect adjustments	129,578	1,004,205
Income taxes and tax effects	(39,650)	(316,324)
Remeasurements of defined benefit plans, net of tax	89,927	687,880
Total other comprehensive income	664,222	1,584,504

(Consolidated statements of changes in shareholders' equity)

Previous fiscal year (from January 1, 2024 to December 31, 2024)

1. Matters regarding issued shares

Class of shares	Beginning of the fiscal year	Increase	Decrease	End of the fiscal year
Common stock (shares)	33,117,234	-	-	33,117,234

2. Matters regarding treasury shares

Class of shares	Beginning of the fiscal year	Increase	Decrease	End of the fiscal year
Common stock (shares)	577,107	124	22,161	555,070

(Outline of reasons for changes)

1. The increase is due to the purchase of shares less than one unit.

2. The decrease is due to a decrease of 20 shares from the sale of shares less than one unit, and a decrease of 22,141 shares from the disposal of treasury shares pursuant to the resolution of the Board of Directors meeting held on April 12, 2024, accompanying the introduction of the restricted share-based compensation plan.

3. Matters regarding dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 28, 2024	Common stock	1,561,926	48	December 31, 2023	March 29, 2024
Board of Directors meeting held on August 9, 2024	Common stock	1,302,491	40	June 30, 2024	August 23, 2024

(2) Dividend for which the record date falls in the current fiscal year but the effective date falls in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 27, 2025	Common stock	Retained earnings	1,562,983	48	December 31, 2024	March 28, 2025

Current fiscal year (from January 1, 2025 to December 31, 2025)

1. Matters regarding issued shares

Class of shares	Beginning of the fiscal year	Increase	Decrease	End of the fiscal year
Common stock (shares)	33,117,234	-	811,700	32,305,534

(Outline of reasons for changes)

1. The decrease is due to the cancellation of treasury shares of 811,700 shares pursuant to the resolution of the Board of Directors meeting held on December 12, 2025.

2. Matters regarding treasury shares

Class of shares	Beginning of the fiscal year	Increase	Decrease	End of the fiscal year
Common stock (shares)	555,070	811,900	842,066	524,904

(Outline of reasons for changes)

1. The increase is due to the purchase of treasury shares of 200 shares less than one unit, and 811,700 shares pursuant to the resolution of the Board of Directors meeting held on August 8, 2025.
2. The decrease is due to a decrease of 52 shares from the sale of shares less than one unit, a decrease of 30,314 shares from the disposal of treasury shares as a restricted share-based compensation plan pursuant to the resolution of the Board of Directors meeting held on April 11, 2025, and the cancellation of treasury shares of 811,700 shares pursuant to the resolution of the Board of Directors meeting held on December 12, 2025.

3. Matters regarding dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 27, 2025	Common stock	1,562,983	48	December 31, 2024	March 28, 2025
Board of Directors meeting held on August 8, 2025	Common stock	1,303,695	40	June 30, 2025	August 22, 2025

(2) Dividend for which the record date falls in the current fiscal year but the effective date falls in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 27, 2026	Common stock	Retained earnings	1,525,470	48	December 31, 2025	March 30, 2026

(Consolidated statements of cash flows)

*1 Reconciliation between the balance of cash and cash equivalents at the end of the fiscal year and the amount of accounts presented in the consolidated balance sheets

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Cash and deposits	13,829,730	11,816,180
Time deposits with deposit terms over three months	(51,146)	(302,579)
Cash and cash equivalents	13,778,584	11,513,601

*2 Details of significant non-cash transactions

For the amount of significant asset retirement obligations recorded, please refer to “Notes to the Consolidated Financial Statements (Asset retirement obligations).”

(Lease transactions)

1. Operating lease transactions

(Lessor)

Remaining lease payments for non-cancelable operating lease transactions

(Thousand yen)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Within one year	471,552	462,387
Over one year	971,459	1,046,847
Total	1,443,012	1,509,234

(Financial instruments)

1. Matters regarding financial instruments

(1) Policy for financial instruments

The Group manages its funds in principle for the purpose of maintaining its assets, and only manages highly secured funds.

The Group also has a policy of not engaging in derivative transactions for speculative purposes.

(2) Content of financial instruments and risks thereof, and risk management systems

Notes and accounts receivable - trade, which are trade receivables, are exposed to customer credit risks. For such risks, the Group controls the due dates and balances by business partner.

Investment securities are primarily shares of companies with which the Group has business relationships, and are exposed to market price fluctuation risks. For such risks, the Group regularly understands and manages their market value and issuers' financial conditions, etc., and regularly reports the identified market value to the Board of Directors.

Accounts payable - trade and accounts payable - other, which are trade payables, are mostly due within one month.

(3) Supplementary explanation on market value, etc., of financial instruments

The market value of financial instruments is calculated based on their market prices. If a market price is not available, the value is calculated in a reasonable manner. As the market value calculation incorporates fluctuating factors, the value may differ if different assumptions are used in calculation.

2. Matters regarding market value, etc., of financial instruments

The amounts in the consolidated balance sheets, market value of financial instruments, and their differences are shown below.

Previous fiscal year (as of December 31, 2024)

(Thousand yen)

	Amounts in the consolidated balance sheets	Market value	Differences
Investment securities			
Available-for-sale securities	861,480	861,480	-
Total assets	861,480	861,480	-

Current fiscal year (as of December 31, 2025)

(Thousand yen)

	Amounts in the consolidated balance sheets	Market value	Differences
Investment securities			
Available-for-sale securities	628,800	628,800	-
Total assets	628,800	628,800	-

(Note 1) “Cash and deposits,” “notes and accounts receivable - trade,” “accounts payable - trade,” “accounts payable - other,” and “income taxes payable” are omitted, because they comprise cash and short-term instruments whose carrying amount approximates their market value.

(Note 2) Shares, etc., without market price are not included in “investment securities.” The amount of the financial instrument in the consolidated balance sheets is as follows:

(Thousand yen)

Category	Previous fiscal year	Current fiscal year
Unlisted shares	14,000	14,000

(Note 3) Scheduled redemption amounts of monetary claims after the consolidated closing date

Previous fiscal year (as of December 31, 2024)

(Thousand yen)

	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	13,829,730	-	-	-
Notes and accounts receivable - trade	6,037,963	-	-	-
Total	19,867,694	-	-	-

Current fiscal year (as of December 31, 2025)

(Thousand yen)

	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	11,816,180	-	-	-
Notes and accounts receivable - trade	5,956,056	-	-	-
Total	17,772,236	-	-	-

3. Matters regarding the breakdown of the market value of financial instruments by level

The market value of financial instruments is classified into the following three levels according to the observability and materiality of the inputs used to measure market value.

Level 1 market value: Market value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 market value: Market value measured using observable inputs other than Level 1 inputs.

Level 3 market value: Market value measured using unobservable inputs.

If multiple inputs are used that are significant to the market value measurement, the market value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at market value in the consolidated financial statements

Previous fiscal year (as of December 31, 2024)

(Thousand yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	861,480	-	-	861,480
Total assets	861,480	-	-	861,480

Current fiscal year (as of December 31, 2025)

(Thousand yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	628,800	-	-	628,800
Total assets	628,800	-	-	628,800

(Note) A description of the valuation techniques and inputs used in the market value measurements

Investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their market value is classified as Level 1.

(Securities)

1. Available-for-sale securities

Previous fiscal year (as of December 31, 2024)

(Thousand yen)

	Type	Amounts in the consolidated balance sheets	Acquisition cost	Differences
Available-for-sale securities with the amount in the consolidated balance sheets not exceeding the acquisition cost	(1) Shares	861,480	1,434,980	(573,500)
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	861,480	1,434,980	(573,500)
Total		861,480	1,434,980	(573,500)

(Note) Unlisted shares (the amount in the consolidated balance sheets: 14,000 thousand yen) are not included in the available-for-sale securities in the table above, since they are shares, etc., without market price.

Current fiscal year (as of December 31, 2025)

(Thousand yen)

	Type	Amounts in the consolidated balance sheets	Acquisition cost	Differences
Available-for-sale securities with the amount in the consolidated balance sheets not exceeding the acquisition cost	(1) Shares	628,800	1,434,980	(806,180)
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	628,800	1,434,980	(806,180)
Total		628,800	1,434,980	(806,180)

(Note) Unlisted shares (the amount in the consolidated balance sheets: 14,000 thousand yen) are not included in the available-for-sale securities in the table above, since they are shares, etc., without market price.

2. Available-for-sale securities sold during the fiscal year

Previous fiscal year (from January 1, 2024 to December 31, 2024)

(Thousand yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	36,342	19,568	284
(2) Bonds	-	-	-
(3) Other	-	-	-
Total	36,342	19,568	284

Current fiscal year (from January 1, 2025 to December 31, 2025)

Not applicable.

3. Impairment losses on securities

In the current fiscal year, impairment losses on securities of 806,180 thousand yen (806,180 thousand yen on shares classified as available-for-sale securities) were recognized.

Impairment losses are fully recognized for securities whose market value declined 50% or more compared to the acquisition cost at the fiscal year-end. For securities whose market value declined approximately 30% to 50%, impairment losses are recognized in the amount deemed necessary after considering recoverability and other factors.

(Derivative transactions)

1. Derivative transactions for which hedge accounting is applied

Currency-related transactions

Previous fiscal year (as of December 31, 2024)

Not applicable.

Current fiscal year (as of December 31, 2025)

Not applicable.

(Retirement benefits)

1. Outline of retirement benefit plans adopted

The Company has both a defined benefit corporate pension plan as the defined benefit plan and a defined contribution pension plan.

Some of the consolidated subsidiaries have adopted a lump-sum retirement payment plan as the defined benefit plan and a defined contribution plan.

For the lump-sum retirement payment plan adopted by some of the consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated using a simplified method.

The Company participates in the employees' pension fund plan, which is a multi-employer plan. The same accounting as for the defined contribution plan is adopted for the plans for which the amount of plan assets corresponding to the Company's contribution cannot be reasonably calculated.

2. Defined benefit plan (excluding plans that adopt the simplified method)

(1) Reconciliation of retirement benefit obligations at the beginning and end of the fiscal year

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Balance of retirement benefit obligations at the beginning of the fiscal year	2,960,545	3,265,450
Service cost	214,504	229,808
Interest cost	44,408	48,981
Actuarial gains and losses generated	80,709	(793,553)
Retirement benefits paid	(34,717)	(32,270)
Balance of retirement benefit obligations at the end of the fiscal year	3,265,450	2,718,416

(2) Reconciliation of plan assets at the beginning and end of the fiscal year

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Balance of plan assets at the beginning of the fiscal year	3,471,601	4,004,475
Expected return on plan assets	86,790	100,111
Actuarial gains and losses generated	314,358	329,568
Contribution from the employer	166,443	178,207
Retirement benefits paid	(34,717)	(32,270)
Balance of plan assets at the end of the fiscal year	4,004,475	4,580,093

(3) Reconciliation of retirement benefit obligations and plan assets at the end of the fiscal year and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets

	(Thousand yen)	
	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Retirement benefit obligations of funded plans	3,265,450	2,718,416
Plan assets	(4,004,475)	(4,580,093)
Net liabilities and assets recorded in the consolidated balance sheets	(739,025)	(1,861,677)
Net defined benefit asset	(739,025)	(1,861,677)
Net liabilities and assets recorded in the consolidated balance sheets	(739,025)	(1,861,677)

(4) Retirement benefit expenses and breakdown thereof

	(Thousand yen)	
	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Service cost	214,504	229,808
Interest cost	44,408	48,981
Expected return on plan assets	(86,790)	(100,111)
Amortization of actuarial gains and losses	(196,390)	(211,236)
Amortization of past service costs	92,319	92,319
Retirement benefit expenses for defined benefit plans	68,051	59,761

(5) Remeasurements of defined benefit plans, net of tax

Components of remeasurements of defined benefit plans, net of tax (before income taxes and tax effects) are as follows:

	(Thousand yen)	
	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Actuarial gains and losses	(37,258)	(911,885)
Past service costs	(92,319)	(92,319)
Total	(129,578)	(1,004,205)

(6) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans (before income taxes and tax effects) are as follows:

	(Thousand yen)	
	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Unrecognized actuarial gains and losses	823,771	1,735,657
Unrecognized past service costs	(317,976)	(225,657)
Total	505,794	1,510,000

(7) Matters regarding plan assets

(i) Major components of plan assets

Ratios by major category of the total plan assets are as follows:

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Japanese bonds	22%	21%
Japanese shares	25%	26%
Foreign bonds	13%	11%
Foreign shares	23%	23%
Other	17%	19%
Total	100%	100%

(ii) Method of determining expected long-term rate of return on plan assets

The current and expected allocation of plan assets, and the current and expected future long-term rate of return on diverse assets comprising plan assets are taken into account in determining expected long-term rate of return on plan assets.

(8) Matters regarding basis for actuarial assumptions

Major actuarial assumptions (in weighted average)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Discount rate	1.5%	3.0%
Expected long-term rate of return on plan assets	2.5%	2.5%
Expected rate of increase in salary	6.2%	6.2%

3. Defined benefit plans that apply the simplified method

(1) Reconciliation of net defined benefit liability at the beginning and end of the fiscal year under the plans that apply the simplified method

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Balance of net defined benefit liability at the beginning of the fiscal year	14,620	17,278
Retirement benefit expenses	5,191	3,246
Retirement benefits paid	(4,398)	-
Translation gains or losses	1,864	1,424
Balance of net defined benefit liability at the end of the fiscal year	17,278	21,949

(2) Reconciliation of retirement benefit obligations and plan assets at the end of the fiscal year and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Retirement benefit obligations of unfunded plans	17,278	21,949
Net liabilities and assets recorded in the consolidated balance sheets	17,278	21,949
Net defined benefit liability	17,278	21,949
Net liabilities and assets recorded in the consolidated balance sheets	17,278	21,949

(3) Retirement benefit expenses

Retirement benefit expenses calculated using the simplified method: Previous fiscal year: 5,191 thousand yen
Current fiscal year: 3,246 thousand yen

4. Defined contribution plans

The required amount of contributions to defined contribution plans of the Company and its consolidated subsidiaries are 122,081 thousand yen for the previous fiscal year and 130,439 thousand yen for the current fiscal year.

5. Multi-employer plans

The required amount of contributions to the employees' pension fund plan and corporate pension fund plan, which are multi-employer plans and adopt the same accounting method as that for defined contribution plans, are 210,592 thousand yen for the previous fiscal year and 223,246 thousand yen for the current fiscal year.

(1) The latest status of funding of multi-employer plans

(Thousand yen)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Amount of plan assets	19,320,339	20,160,129
Aggregate actuarial obligation under pension finance calculation and minimum reserve	19,533,351	19,418,724
Difference	(213,012)	741,405

(2) Ratio of contributions by the Company in multi-employer plans

Previous fiscal year: 13.0% (as of December 31, 2024)
Current fiscal year: 13.2% (as of December 31, 2025)

(3) Supplementary explanation

Major factors for the difference in (1) above are the balance of past service liabilities under pension finance calculation (5,093,388 thousand yen for the previous fiscal year, 4,288,523 thousand yen for the current fiscal year) and the general reserve (4,880,376 thousand yen for the previous fiscal year, 5,029,928 thousand yen for the current fiscal year). Past service liabilities under the plan are amortized using the straight-line method over a period of 5 years. The Company has amortized special contribution in the consolidated financial statements (144,061 thousand yen in the previous fiscal year, 152,920 thousand yen in the current fiscal year).

The ratios in (2) above do not correspond to the actual ratios of the contribution by the Company.

(Stock options, etc.)

Not applicable.

(Tax effect accounting)

1. Breakdown of major causes for deferred tax assets and deferred tax liabilities

(Thousand yen)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Deferred tax assets		
Tax loss carryforward (Note)	539,030	596,785
Provision for bonuses	177,712	182,680
Loss on valuation of inventories	370,154	221,245
Accrued enterprise tax and business office tax	82,815	49,307
Accrued social insurance premiums	24,921	25,290
Unrealized income on inventories	313,937	328,281
Depreciation	227,215	232,221
Asset retirement obligations	215,128	278,450
Allowance for doubtful accounts	12,054	69,913
Net defined benefit liability	3,455	4,389
Retirement benefits for directors (and other officers)	3,709	3,818
Valuation difference on available-for-sale securities	175,491	-
Valuation loss on investment securities	-	253,946
Other	111,096	142,235
Subtotal deferred tax assets	2,256,722	2,388,567
Valuation allowance for tax loss carryforward (Note)	(539,030)	(596,785)
Valuation allowance for aggregate deductible temporary differences	(21,311)	(281,586)
Subtotal valuation allowance	(560,341)	(878,372)
Total deferred tax assets	1,696,380	1,510,194
Deferred tax liabilities		
Net defined benefit asset	(226,141)	(581,876)
Retirement cost for asset retirement obligations	(117,765)	(165,532)
Retained earnings of overseas subsidiaries	(412,159)	(478,812)
Total deferred tax liabilities	(756,066)	(1,226,220)
Net deferred tax assets (liabilities)	940,314	283,973

(Note) Valuation allowance is recorded as a result of assessing the recoverability of deferred tax assets mainly related to valuation loss on investment securities.

(Note) Tax loss carryforward and corresponding deferred tax assets by carryforward period

Previous fiscal year (as of December 31, 2024)

(Thousand yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carryforward	10,688	8,767	8,321	120,229	84,583	306,439	539,030
Valuation allowance	(10,688)	(8,767)	(8,321)	(120,229)	(84,583)	(306,439)	(539,030)
Deferred tax assets	-	-	-	-	-	-	-

(Note) Tax loss carryforward is the amount obtained by multiplying it with the effective statutory tax rate for each taxable entity.

Current fiscal year (as of December 31, 2025)

(Thousand yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carryforward	8,473	8,041	123,825	86,714	74,156	295,575	596,785
Valuation allowance	(8,473)	(8,041)	(123,825)	(86,714)	(74,156)	(295,575)	(596,785)
Deferred tax assets	-	-	-	-	-	-	-

(Note) Tax loss carryforward is the amount obtained by multiplying it with the effective statutory tax rate for each taxable entity.

2. Breakdown by item of major causes of significant difference between the effective statutory tax rate and the income tax rate after applying tax effect accounting

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Items permanently excluded from deductible expenses such as entertainment expenses	2.1%	3.3%
Exclusion of dividend income from taxable income	(0.0)%	(0.0)%
Inhabitant tax on per capita basis	0.4%	0.5%
Experimentation and research expenses tax credit	(5.5)%	(8.0)%
Salary increase tax credits	(1.0)%	(3.3)%
Impact of change in tax rate	-	(0.2)%
Increase (decrease) in valuation allowance	1.9%	6.5%
Other	(0.5)%	0.8%
Income tax rate after applying tax effect accounting	28.0%	30.2%

3. Adjustment of deferred tax assets and deferred tax liabilities due to changes in income tax rates, etc.

The Act for Partial Amendment of the Income Tax Act, etc. (Act No. 13 of 2025) was enacted by the National Diet of Japan on March 31, 2025, and the special defense corporation tax will be imposed on corporations for fiscal years beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be eliminated in fiscal years beginning on or after January 1, 2027 have been calculated using a revised effective statutory tax rate of 31.5%, instead of the previous rate of 30.6%. The impact of this change in tax rate is immaterial.

(Business combinations, etc.)

Not applicable.

(Asset retirement obligations)

Asset retirement obligations recorded in the consolidated balance sheets

(1) Outline of the asset retirement obligations

These are the restoration obligation under real estate lease contracts of branch offices and sales offices.

(2) Calculation method of the amount of the asset retirement obligations

The amount of asset retirement obligations is calculated based on the estimated period of use of 10 to 15 years from the acquisition and is determined at a reasonable level according to the intended use and floor area.

As the impact of interest is immaterial, no discounting is applied.

(3) Changes in the total amount of the asset retirement obligations

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Balance at the beginning of the fiscal year	734,815	737,191
Increase due to the acquisition of property, plant and equipment	2,135	22,793
Increase due to the change in estimate	-	182,156
Adjustments due to foreign exchange fluctuations	240	819
Decrease due to the performance of asset retirement obligations	-	(25,282)
Balance at the end of the fiscal year	737,191	917,672

(4) Change in estimate of the amount of the asset retirement obligations

In the current fiscal year, the Company revised its estimate of the asset retirement obligations recognized in connection with the restoration obligation under the Company's real estate lease contracts, following the acquisition of new information regarding restoration costs. The increase of 182,156 thousand yen resulting from this change in estimate has been added to the balance of asset retirement obligations prior to the change.

The impact of this change in estimate on profit or loss for the current fiscal year is immaterial.

(Real estate for lease, etc.)

Not applicable.

(Revenue recognition)

1. Disaggregation of revenue from contracts with customers

(Thousand yen)

Category	Previous fiscal year (From January 1, 2024 to December 31, 2024)		Current fiscal year (From January 1, 2025 to December 31, 2025)	
	Amount	Ratio (%)	Amount	Ratio (%)
Haircare products	31,324,151	61.1	33,466,507	63.3
Hair coloring products	17,200,898	33.5	16,896,102	32.0
Permanent wave products	1,547,204	3.0	1,435,609	2.7
Cosmetic products	868,261	1.7	664,010	1.3
Other	375,898	0.7	401,061	0.7
Revenue from contracts with customers	51,316,414	100.0	52,863,291	100.0
Revenue from other sources	-	-	-	-
Net sales to external customers	51,316,414	100.0	52,863,291	100.0

2. Useful information in understanding revenue from contracts with customers

The description of useful information in understanding revenue from contracts with customers is omitted as it is provided in “Notes to the Consolidated Financial Statements (Significant matters that serve as the basis for preparation of consolidated financial statements), 4. Matters regarding accounting policies, (5) Accounting standards for significant revenue and expenses.”

3. Information on the reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and information on the amount and timing of revenue that is expected to be recognized after the following fiscal year arising from contracts with customers that exist at the end of the current fiscal year

(1) Balance of contract liabilities, etc.

Previous fiscal year (from January 1, 2024 to December 31, 2024)

(Thousand yen)

	Beginning of the fiscal year (As of January 1, 2024)	End of the fiscal year (As of December 31, 2024)
Receivables from contracts with customers	5,345,669	6,037,963
Contract liabilities	8,545	14,328

(Note) Contract liabilities are advances received from customers and are reversed upon recognition of revenue.

Current fiscal year (from January 1, 2025 to December 31, 2025)

(Thousand yen)

	Beginning of the fiscal year (As of January 1, 2025)	End of the fiscal year (As of December 31, 2025)
Receivables from contracts with customers	6,037,963	5,956,056
Contract liabilities	14,328	29,425

(Note) Contract liabilities are advances received from customers and are reversed upon recognition of revenue.

(2) Transaction price allocated to the remaining performance obligations

The description of information on the remaining performance obligations is omitted since there are no significant contracts with an original expected duration of more than one year and the Company has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations.

(Segment information, etc.)

Segment information

This information is omitted since the Group has a single segment of manufacture and sales of cosmetic products.

Related information

Previous fiscal year (from January 1, 2024 to December 31, 2024)

1. Information by product and service

(Thousand yen)

	Haircare products	Hair coloring products	Permanent wave products	Cosmetic products	Other	Total
Net sales to external customers	31,324,151	17,200,898	1,547,204	868,261	375,898	51,316,414

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	South Korea	Other	Total
38,684,815	5,345,045	7,286,552	51,316,414

(Note) Net sales are based on locations of customers and classified by country or region.

(2) Property, plant and equipment

(Thousand yen)

Japan	China	Other	Total
17,155,885	2,968,344	2,183,574	22,307,804

3. Information by major customer

(Thousand yen)

Name of customer	Net sales
Topy Co., Ltd.	5,781,404
GAMO Co., Ltd.	4,384,803
MASS HOLDINGS Inc.	3,575,935

(Note) The description of related segments is omitted since the Group has a single segment of manufacture and sales of cosmetic products.

Current fiscal year (from January 1, 2025 to December 31, 2025)

1. Information by product and service

(Thousand yen)

	Haircare products	Hair coloring products	Permanent wave products	Cosmetic products	Other	Total
Net sales to external customers	33,466,507	16,896,102	1,435,609	664,010	401,061	52,863,291

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	South Korea	Other	Total
39,206,259	5,503,508	8,153,524	52,863,291

(Note) Net sales are based on locations of customers and classified by country or region.

(2) Property, plant and equipment

(Thousand yen)

Japan	China	Other	Total
17,967,068	2,860,762	2,081,894	22,909,724

3. Information by major customer

(Thousand yen)

Name of customer	Net sales
Topy Co., Ltd.	6,724,474
GAMO Co., Ltd.	4,425,553
MASS HOLDINGS Inc.	3,670,366

(Note) The description of related segments is omitted since the Group has a single segment of manufacture and sales of cosmetic products.

Information regarding impairment losses on non-current assets by reportable segment

Not applicable.

Information regarding amortization and unamortized balance of goodwill by reportable segment

Not applicable.

Information regarding gain on bargain purchase by reportable segment

Not applicable.

Related party information

Previous fiscal year (from January 1, 2024 to December 31, 2024)

Not applicable.

Current fiscal year (from January 1, 2025 to December 31, 2025)

Not applicable.

(Per share information)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Net assets per share (yen)	1,499.20	1,543.67
Basic earnings per share (yen)	154.12	106.26

(Notes) 1. Diluted earnings per share are not presented because there are no dilutive shares.

2. The basis for calculating basic earnings per share is as follows:

	Previous fiscal year (from January 1, 2024 to December 31, 2024)	Current fiscal year (from January 1, 2025 to December 31, 2025)
Profit attributable to owners of parent (thousand yen)	5,017,568	3,437,911
Amount not attributable to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent related to common stock (thousand yen)	5,017,568	3,437,911
Average number of shares of common stock during the period (shares)	32,556,014	32,354,379

(Significant subsequent events)

Not applicable.

5) Consolidated supplementary schedules

Schedule of corporate bonds

Not applicable.

Schedule of borrowings, etc.

Category	Balance at beginning of period (Thousand yen)	Balance at end of period (Thousand yen)	Average interest rate (%)	Repayment due date
Short-term borrowings	-		-	-
Current portion of long-term borrowings	-		-	-
Current portion of lease obligations	-		-	-
Long-term borrowings (except for the current portion)	-		-	-
Lease obligations (except for the current portion)	-		-	-
Other interest-bearing liabilities	73,062	71,448	0.275	-
Total	73,062	71,448	-	-

(Notes) 1. The average interest rate shows the weighted average interest rate applicable to the balance at end of period.

2. Other interest-bearing liabilities are guarantee deposits received from customers with no prescribed repayment due date.

Schedule of asset retirement obligations

The description of matters to be reported in the schedule of asset retirement obligations is omitted, because relevant information is provided as notes pursuant to Article 15-23 of the Regulation on Consolidated Financial Statements.

(2) Other

Interim and full-year information, etc., for the current fiscal year

	Six-month interim accounting period	Current fiscal year
Net sales (Thousand yen)	24,807,456	52,863,291
Profit before income taxes (Thousand yen)	1,098,075	4,926,485
Profit attributable to owners of parent (Thousand yen)	419,164	3,437,911
Basic earnings per share (Yen)	12.87	106.26

2. Financial Statements, etc.

(1) Financial Statements

1) Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Assets		
Current assets		
Cash and deposits	8,960,370	6,537,252
Notes receivable - trade	*2 158,357	*2 93,168
Accounts receivable - trade	*1 6,162,096	*1 6,556,812
Merchandise and finished goods	5,197,804	4,805,312
Work in process	57,150	48,022
Raw materials and supplies	1,983,082	2,089,304
Short-term loans receivable from subsidiaries and associates	-	516,600
Prepaid expenses	182,689	182,060
Other	*1 455,247	*1 302,746
Allowance for doubtful accounts	(14,103)	(62,082)
Total current assets	23,142,695	21,069,196
Non-current assets		
Property, plant and equipment		
Buildings	6,429,914	7,658,595
Structures	83,254	126,180
Machinery and equipment	1,837,435	1,750,114
Vehicles	17,130	30,560
Tools, furniture and fixtures	830,460	881,942
Land	6,324,093	6,284,491
Construction in progress	1,631,955	1,235,183
Total property, plant and equipment	17,154,245	17,967,068
Intangible assets		
Software	1,265,819	989,444
Other	29,462	199,971
Total intangible assets	1,295,281	1,189,415
Investments and other assets		
Investment securities	875,480	642,800
Shares of subsidiaries and associates	2,649,930	2,242,664
Investments in capital of subsidiaries and associates	4,457,200	4,316,997
Long-term loans receivable from subsidiaries and associates	1,175,000	711,000
Prepaid pension costs	233,230	351,677
Deferred tax assets	1,173,589	880,129
Other	877,128	1,017,384
Allowance for doubtful accounts	(466,290)	(590,038)
Total investments and other assets	10,975,269	9,572,614
Total non-current assets	29,424,796	28,729,098
Total assets	52,567,492	49,798,294

(Thousand yen)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Liabilities		
Current liabilities		
Accounts payable - trade	*1 1,495,080	*1 1,494,692
Accounts payable - other	*1 4,232,230	*1 3,581,544
Accrued expenses	502,125	540,618
Income taxes payable	1,140,118	312,645
Advances received	55,897	19,910
Deposits received	356,146	355,903
Provision for bonuses	554,106	561,878
Other	335,284	151,414
Total current liabilities	8,670,989	7,018,607
Non-current liabilities		
Asset retirement obligations	691,749	871,410
Other	73,062	76,790
Total non-current liabilities	764,812	948,201
Total liabilities	9,435,802	7,966,808
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus		
Legal capital surplus	199,120	199,120
Other capital surplus	99,547	-
Total capital surplus	298,667	199,120
Retained earnings		
Legal retained earnings	300,880	300,880
Other retained earnings		
General reserve	3,500,000	3,500,000
Retained earnings brought forward	39,336,605	37,324,813
Total retained earnings	43,137,485	41,125,693
Treasury shares	(1,906,453)	(1,493,326)
Total shareholders' equity	43,529,699	41,831,486
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(398,009)	-
Total valuation and translation adjustments	(398,009)	-
Total net assets	43,131,689	41,831,486
Total liabilities and net assets	52,567,492	49,798,294

2) Statements of Earnings

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Net sales	*1 45,598,486	*1 46,970,420
Cost of sales	*1 18,649,005	*1 19,908,424
Gross profit	26,949,480	27,061,996
Selling, general and administrative expenses	*1, *2 20,829,993	*1, *2 22,080,976
Operating income	6,119,487	4,981,019
Non-operating income		
Interest and dividend income	*1 153,706	*1 608,000
Foreign exchange gains	19,959	-
Miscellaneous income	*1 111,218	*1 139,301
Total non-operating income	284,884	747,302
Non-operating expenses		
Foreign exchange losses	-	55,899
Provision of allowance for doubtful accounts	17,600	123,748
Miscellaneous losses	1,606	25,580
Total non-operating expenses	19,206	205,228
Ordinary income	6,385,164	5,523,093
Extraordinary income		
Gain on sales of non-current assets	-	291,703
Gain on sales of investment securities	19,568	-
Total extraordinary income	19,568	291,703
Extraordinary losses		
Loss on retirement of non-current assets	1,306	13,629
Loss on sales of investment securities	284	-
Valuation loss on investment securities	-	806,180
Loss on valuation of investments in capital of subsidiaries and associates	-	282,564
Loss on valuation of shares of subsidiaries and associates	-	407,265
Total extraordinary losses	1,590	1,509,640
Profit before income taxes	6,403,142	4,305,156
Income taxes - current	1,714,944	1,104,655
Income taxes - deferred	(86,995)	117,968
Total income taxes	1,627,948	1,222,624
Profit	4,775,194	3,082,531

Schedule of manufacturing costs

Category	Note	Previous fiscal year (From January 1, 2024 to December 31, 2024)		Current fiscal year (From January 1, 2025 to December 31, 2025)	
		Amount (Thousand yen)	Ratio (%)	Amount (Thousand yen)	Ratio (%)
I. Cost of raw materials		10,780,027	70.3	10,589,710	69.9
II. Cost of outsourced processing		1,798,255	11.7	1,754,531	11.6
III. Labor cost		1,140,424	7.6	1,205,252	8.0
(Provision for bonuses)		(79,687)		(78,609)	
IV. Expenses		1,606,368	10.5	1,591,785	10.5
(Depreciation)		(727,037)		(730,987)	
(Repair expenses)		(147,710)		(146,650)	
(Utility expenses)		(131,880)		(144,520)	
(Supplies expenses)		(143,819)		(121,053)	
Gross manufacturing cost for the fiscal year		15,325,075	100.0	15,141,279	100.0
Beginning of work in process		35,531		57,150	
Total		15,360,607		15,198,430	
Transfer to other account	*1	76,406		83,185	
Ending of work in process		57,150		48,022	
Cost of products manufactured		15,227,050		15,067,222	

(Footnote)

Previous fiscal year (From January 1, 2024 to December 31, 2024)		Current fiscal year (From January 1, 2025 to December 31, 2025)	
*1 Breakdown of the transfer to other account is as follows:		*1 Breakdown of the transfer to other account is as follows:	
Promotion expenses	66,376 thousand yen	Promotion expenses	55,926 thousand yen
Research and development expenses	9,978 thousand yen	Advertising expenses	15,283 thousand yen
Other	51 thousand yen	Research and development expenses	9,411 thousand yen
Total	76,406 thousand yen	Other	2,563 thousand yen
		Total	83,185 thousand yen
2 Method of calculation of costs		2 Method of calculation of costs	
The continuous process cost system is adopted.		Same as the previous fiscal year	

3) Statements of Changes in Shareholders' Equity

Previous fiscal year (from January 1, 2024 to December 31, 2024)

(Thousand yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of period	2,000,000	199,120	107,837	306,957	300,880	3,500,000	37,425,828	41,226,708
Changes of items during period								
Dividends of surplus							(2,864,417)	(2,864,417)
Profit							4,775,194	4,775,194
Purchase of treasury shares								
Disposal of treasury shares			(8,290)	(8,290)				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	(8,290)	(8,290)	-	-	1,910,776	1,910,776
Balance at end of period	2,000,000	199,120	99,547	298,667	300,880	3,500,000	39,336,605	43,137,485

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(1,982,161)	41,551,504	(106,728)	(106,728)	41,444,776
Changes of items during period					
Dividends of surplus		(2,864,417)			(2,864,417)
Profit		4,775,194			4,775,194
Purchase of treasury shares	(414)	(414)			(414)
Disposal of treasury shares	76,123	67,832			67,832
Net changes of items other than shareholders' equity			(291,281)	(291,281)	(291,281)
Total changes of items during period	75,708	1,978,194	(291,281)	(291,281)	1,686,912
Balance at end of period	(1,906,453)	43,529,699	(398,009)	(398,009)	43,131,689

Current fiscal year (from January 1, 2025 to December 31, 2025)

(Thousand yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of period	2,000,000	199,120	99,547	298,667	300,880	3,500,000	39,336,605	43,137,485
Changes of items during period								
Dividends of surplus							(2,866,679)	(2,866,679)
Profit							3,082,531	3,082,531
Purchase of treasury shares								
Disposal of treasury shares			(17,945)	(17,945)				
Cancellation of treasury shares			(81,601)	(81,601)			(2,227,644)	(2,227,644)
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	(99,547)	(99,547)	-	-	(2,011,792)	(2,011,792)
Balance at end of period	2,000,000	199,120	-	199,120	300,880	3,500,000	37,324,813	41,125,693

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(1,906,453)	43,529,699	(398,009)	(398,009)	43,131,689
Changes of items during period					
Dividends of surplus		(2,866,679)			(2,866,679)
Profit		3,082,531			3,082,531
Purchase of treasury shares	(2,000,372)	(2,000,372)			(2,000,372)
Disposal of treasury shares	104,252	86,306			86,306
Cancellation of treasury shares	2,309,245	-			-
Net changes of items other than shareholders' equity			398,009	398,009	398,009
Total changes of items during period	413,126	(1,698,213)	398,009	398,009	(1,300,203)
Balance at end of period	(1,493,326)	41,831,486	-	-	41,831,486

Notes to the Financial Statements

(Significant accounting policies)

1. Valuation standards and methods for assets

(1) Valuation standard and method for securities

(i) Shares of subsidiaries and shares of associates

Stated at cost using the moving-average method

(ii) Available-for-sale securities

Other than shares, etc., without market price

Stated at market value based on the market price, etc., at the fiscal year-end (unrealized gains and losses are reported as a separate component of net assets, and cost of sales is calculated by the moving-average method)

Shares, etc., without market price

Stated at cost using the moving-average method

(2) Valuation standards and methods for inventories

Merchandise, finished goods, work in process, raw materials, and supplies

Stated at cost using the weighted average method (the balance sheet values are calculated using the inventory write-down method based on decreased profitability)

2. Depreciation and amortization methods for non-current assets

(1) Property, plant and equipment

They are depreciated using the straight-line method.

Useful lives of principal assets are as follows:

Buildings: 2 to 50 years

Machinery and equipment: 2 to 17 years

(2) Intangible assets

They are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over the estimated period of internal use (2 to 5 years).

3. Translation standards of assets and liabilities denominated in foreign currencies into Japanese yen

Foreign currency denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rate at the fiscal year-end, and foreign exchange gains and losses from translation are recognized as profit or loss.

4. Accounting standards for allowances

(1) Allowance for doubtful accounts

To prepare for losses arising from uncollectible receivables, an allowance for doubtful accounts is recorded at an estimated uncollectible amount based on the historical rate of credit losses with respect to general receivables, and in consideration of individual collectability with respect to doubtful accounts and other specific receivables.

(2) Provision for bonuses

To provide for payment of bonuses to employees (including those for employees also serving as officers), a provision for bonuses is recorded based on the estimated payment amount.

(3) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, a provision for retirement benefits is recorded based on the estimated amount of retirement benefit obligations and plan assets at the end of the current fiscal year.

(i) Method of attributing expected retirement benefits to periods

In calculating retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the current fiscal year based on the benefit formula basis.

(ii) Method of amortizing actuarial differences and past service costs

Actuarial gains and losses are amortized using the straight-line method over a certain number of years (5 years) within the average remaining years of service of the eligible employees at the time of occurrence, starting from the fiscal year following the occurrence.

Prior service cost is amortized using the straight-line method over a certain number of years (5 years) within the average remaining years of service of the eligible employees at the time of occurrence.

5. Accounting standards for significant revenue and expenses

The principal performance obligations relating to revenue from contracts with customers of the Company, as well as the standard point at which such obligations are satisfied (i.e., the point at which revenue is recognized) are explained as follows.

The Company is engaged in the manufacturing and sale of cosmetic products. In terms of the sale of such goods or products, for domestic sales, revenue is recognized upon delivery of the goods or products to customers. For export sales, it is considered that the customer has acquired control over the goods or products when the risk burden is transferred to the customer based on the terms of trade stipulated by Incoterms, etc., and that the performance obligation has been satisfied; accordingly, revenue is recognized upon such transfer of the risk burden. However, for domestic sales, revenue is recognized at the time of shipment if the period from the time of shipment to the point at which control of the goods or products is transferred to the customer is the standard period.

Revenue is measured by the amount of consideration promised in the contract with the customer, less any applicable rebates and returns.

The transaction consideration is typically received within one month of the fulfillment of the performance obligation and does not contain any significant financial elements.

6. Other significant matters that serve as the basis for preparation of financial statements

Accounting methods for retirement benefits

The accounting methods for unrecognized actuarial gains and losses and unrecognized past service cost used for retirement benefits are different from those used in the consolidated financial statements.

(Significant accounting estimates)

Valuation of merchandise and finished goods

(1) Amount recorded in consolidated financial statements for the current fiscal year

(Thousand yen)

	Previous fiscal year	Current fiscal year
Merchandise and finished goods	5,197,804	4,805,312

(Note) The amounts shown above represent those after deducting the amounts of write-down due to decreased profitability (1,171,658 thousand yen for the previous fiscal year, 675,852 thousand yen for the current fiscal year).

(2) Information on significant accounting estimates related to identified items

In the calculation using the method of write-down based on decreased profitability, regarding merchandise and finished goods, the planned shipment volume and the inventory volume at the end of the fiscal year are compared for each merchandise and finished good, and the amount of slow-moving inventories exceeding the planned shipment volume for a certain period is written down.

These accounting estimates may be affected by changes in the future uncertain market environment and other factors, and if such changes have a significant impact on sales volume or sales strategies, the effects may be reflected in the valuation of inventories in the following fiscal year.

(Changes in accounting policies)

(Application of the “Accounting Standard for Current Income Taxes” etc.)

The “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022), etc., have been applied from the beginning of the current fiscal year.

This change in accounting policies had no impact on the financial statements.

(Balance sheets)

*1 Monetary receivables and monetary payables related to subsidiaries and associates

Monetary receivables and monetary payables included in each account other than those presented separately are as follows:

(Thousand yen)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Shot-term monetary receivables	903,775	1,238,328
Shot-term monetary payables	402,615	374,591

*2 Treatment of notes due at the fiscal year-end

Notes due at the end of the fiscal year are treated as settled on the due date.

As the fiscal year-end fell on a holiday for financial institutions, the following notes due at the fiscal year-end are treated as settled on the due date.

(Thousand yen)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Notes receivable - trade	70,331	37,821

(Statements of earnings)

*1 Transactions with subsidiaries and associates

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Amount of operating transactions		
Net sales	5,577,455	6,455,907
Purchase amount	3,341,426	3,862,837
Other	473,573	526,824
Amount of non-operating transactions	213,019	677,165

*2 Approximate ratios of expenses included in selling expenses are 10.9% for the previous fiscal year and 11.9% for the current fiscal year, and those included in general and administrative expenses are 89.1% for the previous fiscal year and 88.1% for the current fiscal year.

Major expenses included in selling, general and administrative expenses and their amounts are as follows:

(Thousand yen)

	Previous fiscal year (From January 1, 2024 to December 31, 2024)	Current fiscal year (From January 1, 2025 to December 31, 2025)
Remuneration, salaries and allowances	5,383,100	5,585,237
Logistics expenses	3,068,885	3,129,640
Research and development expenses	2,486,963	2,714,557
Promotion expenses	1,090,251	1,068,093
Depreciation	886,995	872,590
Provision for bonuses	395,685	400,779
Retirement benefit expenses	267,751	272,130
Provision of allowance for doubtful accounts	14,103	47,979

(Securities)

Previous fiscal year (as of December 31, 2024)

The description of the market values of shares of subsidiaries and associates (amounts in the balance sheets: 2,649,930 thousand yen of shares of subsidiaries and associates and 4,457,200 thousand yen of investments in capital of subsidiaries and associates) is omitted since they are shares, etc., without market price.

Current fiscal year (as of December 31, 2025)

The description of the market values of shares of subsidiaries and associates (amounts in the balance sheets: 2,242,664 thousand yen of shares of subsidiaries and associates and 4,316,997 thousand yen of investments in capital of subsidiaries and associates) is omitted since they are shares, etc., without market price.

(Tax effect accounting)

1. Breakdown of major causes for deferred tax assets and deferred tax liabilities

(Thousand yen)

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Deferred tax assets		
Provision for bonuses	169,556	173,569
Loss on valuation of inventories	358,527	206,810
Accrued enterprise tax and business office tax	82,815	49,307
Accrued social insurance premiums	24,921	25,290
Depreciation	221,651	225,170
Allowance for doubtful accounts	147,000	204,859
Loss on valuation of shares of subsidiaries and associates	194,732	328,748
Loss on valuation of investments in capital of subsidiaries and associates	-	89,007
Retirement benefits for directors (and other officers)	3,709	3,818
Asset retirement obligations	211,675	274,494
Restricted share-based compensation	79,009	113,120
Performance-linked compensation	24,051	12,025
Valuation difference on available-for-sale securities	175,491	-
Valuation loss on investment securities	-	253,946
Other	793	9,198
Subtotal deferred tax assets	1,693,935	1,969,369
Valuation allowance (Note)	(332,520)	(813,544)
Total deferred tax assets	1,361,414	1,155,824
Deferred tax liabilities		
Retirement cost for asset retirement obligations	(116,455)	(164,916)
Prepaid pension costs	(71,368)	(110,778)
Total deferred tax liabilities	(187,824)	(275,695)
Net deferred tax assets (liabilities)	1,173,589	880,129

(Note) Valuation allowance is recorded as a result of assessing the recoverability of deferred tax assets mainly related to loss on valuation of shares of subsidiaries and associates, loss on valuation of investments in capital of subsidiaries and associates, and allowance for doubtful accounts.

2. Breakdown by item of major causes of significant difference between the effective statutory tax rate and the income tax rate after applying tax effect accounting

	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Items permanently excluded from deductible expenses such as entertainment expenses	2.2%	3.7%
Dividend income excluded from gross revenue	(0.5)%	(3.8)%
Inhabitant tax on per capita basis	0.4%	0.6%
Experimentation and research expenses tax credit	(6.0)%	(9.2)%
Salary increase tax credits	(1.1)%	(3.7)%
Impact of change in tax rate	-	(0.3)%
Increase (decrease) in valuation allowance	(0.2)%	10.6%
Other	(0.0)%	(0.1)%
Income tax rate after applying tax effect accounting	25.4%	28.4%

3. Adjustment of deferred tax assets and deferred tax liabilities due to changes in income tax rates, etc.

The Act for Partial Amendment of the Income Tax Act, etc. (Act No. 13 of 2025) was enacted by the National Diet of Japan on March 31, 2025, and the special defense corporation tax will be imposed on corporations for fiscal years beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be eliminated in fiscal years beginning on or after January 1, 2027 have been calculated using a revised effective statutory tax rate of 31.5%, instead of the previous rate of 30.6%. The impact of this change in tax rate is immaterial.

(Revenue recognition)

The description of useful information in understanding revenue from contracts with customers is omitted as it is provided in “Notes to the Financial Statements (Significant accounting policies), 5. Accounting standards for significant revenue and expenses.”

(Significant subsequent events)

Not applicable.

4) Supplementary schedules

Schedule of property, plant and equipment, etc.

(Thousand yen)

Category	Type of assets	Balance at beginning of period	Increase during period	Decrease during period	Depreciation (amortization) during period	Balance at end of period	Accumulated depreciation (amortization)
Property, plant and equipment	Buildings	6,429,914	1,778,353	373,564	469,103	7,658,595	6,599,123
	Structures	83,254	58,410	5,403	15,469	126,180	310,546
	Machinery and equipment	1,837,435	330,485	109,720	417,805	1,750,114	6,492,867
	Vehicles	17,130	23,390	8,525	9,960	30,560	44,793
	Tools, furniture and fixtures	830,460	467,393	142,035	414,762	881,942	3,077,221
	Land	6,324,093	-	39,602	-	6,284,491	-
	Construction in progress	1,631,955	1,580,591	1,977,363	-	1,235,183	-
	Total	17,154,245	4,238,623	2,656,213	1,327,101	17,967,068	16,524,553
Intangible assets	Software	1,265,819	201,473	280	477,848	989,444	4,441,106
	Other	29,462	242,483	71,756	217	199,971	9,880
	Total	1,295,281	443,956	72,036	478,066	1,189,415	4,450,986

(Note) Significant changes in non-current assets are as follows:

1. Major components of an increase in buildings of 1,778,353 thousand yen are 1,311,825 thousand yen of the construction work of the Human Resources Development Center, and 133,286 thousand yen of the renovation work of the Technical Center.
2. A major component of an increase in machinery and equipment of 330,485 thousand yen is 184,225 thousand yen of wrapping and filling facilities at the Yumegaoka Factory.
3. Major components of an increase in tools, furniture and fixtures of 467,393 thousand yen are 103,900 thousand yen of fixtures associated with the construction of the Human Resources Development Center, 75,096 thousand yen of the establishment of ICT infrastructure servers, 47,532 thousand yen of fixtures for research and development, and 33,130 thousand yen of dies.
4. A major component of an increase in construction in progress of 1,580,591 thousand yen is 1,130,385 thousand yen of expenses associated with the construction work for the Human Resources Development Center.
5. A major component of a decrease in construction in progress of 1,977,363 thousand yen is 1,735,941 thousand yen of transfer associated with the construction work for the Human Resources Development Center.
6. Major components of an increase in software of 201,473 thousand yen are 60,350 thousand yen for renovating the sales management system, 43,030 thousand yen for the expansion of the milbon:iD functions, and 17,360 thousand yen for renovating the compounding management system.
7. A major component of an increase in other under intangible assets of 242,483 thousand yen is 162,250 thousand yen of expenses associated with the replacement of the production and manufacturing management system.

Schedule of provisions

(Thousand yen)

Account	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Allowance for doubtful accounts	480,393	171,728	-	652,121
Provision for bonuses	554,106	561,878	544,106	561,878

(2) Components of major assets and liabilities

This information is omitted since the Company prepares the consolidated financial statements.

(3) Others

Not applicable.

VI. Outline of Share-Related Administration of Reporting Company

Fiscal year	From January 1 to December 31
Ordinary General Meeting of Shareholders	During March
Record date	December 31
Record date for distribution of surplus	June 30 and December 31
Number of shares constituting one unit	100 shares
Purchase and sale of shares less than one unit	
Handling office	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Administrator of shareholder registry	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Transfer office	-
Purchase / sale fee	An amount set separately equivalent to the amount of brokerage commission
Method of public notice	The method of public notice of the Company shall be by electronic public notice. However, in the event that electronic public notice becomes impossible due to unavoidable circumstances, announcements will be published in the Nikkei. Electronic public notices are posted on the Company's website, which may be accessed with the following URL. https://www.milbon.com/en/
Shareholder benefits	We have a shareholder benefit program where bonus points are awarded based on the number of shares held and the holding period of the shares.

(Note) We have stipulated in our Articles of Incorporation that shareholders of shares constituting less than one unit may not exercise some or all rights, other than the following rights.

- (1) The rights which cannot be restricted by the Articles of Incorporation in accordance with relevant laws and ordinances.
- (2) The right to receive an allotment of shares or share purchase options in proportion to the number of shares owned by shareholders.
- (3) The right to request the purchase of shares constituting less than one unit.

VII. Reference Information of Reporting Company

1. Information about Parent of Reporting Company

Not applicable.

2. Other Reference Information

The Company submitted the following documents during the period from the beginning of the current fiscal year to the date of submission of the annual securities report.

- (1) Annual securities report and attached documents, and confirmation document
Fiscal Year (65th Term) (From January 1, 2024 to December 31, 2024) Submitted to the Director-General of the Kinki Local Finance Bureau on March 27, 2025
- (2) Internal control report and attached documents
Submitted to the Director-General of the Kinki Local Finance Bureau on March 27, 2025
- (3) Semi-annual securities report and confirmation documents
(Interim Period of 66th Term) (From January 1, 2025 to June 30, 2025) Submitted to the Director-General of the Kinki Local Finance Bureau on August 8, 2025
- (4) Extraordinary report
 - (i) Submitted to the Director-General of the Kinki Local Finance Bureau on March 28, 2025
The extraordinary report was submitted based on the provisions of Article 19, Paragraph 2, Item 9-2 (Results of exercise of voting rights at a general meeting of shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs.
 - (ii) Submitted to the Director-General of the Kinki Local Finance Bureau on February 13, 2026
The extraordinary report was submitted based on the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-4 (Change to the accounting auditor) of the Cabinet Office Order on Disclosure of Corporate Affairs.
- (5) Share buyback report
 - Reporting period (From August 1, 2025 to August 31, 2025) Submitted to the Director-General of the Kinki Local Finance Bureau on September 1, 2025
 - Reporting period (From September 1, 2025 to September 30, 2025) Submitted to the Director-General of the Kinki Local Finance Bureau on October 2, 2025
 - Reporting period (From October 1, 2025 to October 31, 2025) Submitted to the Director-General of the Kinki Local Finance Bureau on November 4, 2025
 - Reporting period (From November 1, 2025 to November 30, 2025) Submitted to the Director-General of the Kinki Local Finance Bureau on December 1, 2025
 - Reporting period (From December 1, 2025 to December 31, 2025) Submitted to the Director-General of the Kinki Local Finance Bureau on January 5, 2026
- (6) Amendment report for the share buyback report
Amendment report for the reporting period (from August 1, 2025 to August 31, 2025)
Submitted to the Director-General of the Kinki Local Finance Bureau on September 2, 2025

Part 2 Information about Reporting Company's Guarantor, etc.

Not applicable.

Independent Auditor's Report on the Financial Statements
and Internal Control Over Financial Reporting

March 27, 2026

To the Board of Directors of Milbon Co., Ltd.

GYOSEI & CO.
Tokyo Office

Designated partner Engagement partner	Certified public accountant	Toshiya Shinshima
Designated partner Engagement partner	Certified public accountant	Takaaki Hasegawa

<Audit of Consolidated Financial Statements>

Opinion

We have audited Milbon Co., Ltd.'s consolidated financial statements referred to in the Financial Information section of this annual securities report for the consolidated fiscal year from January 1, 2025 to December 31, 2025, which comprise the consolidated balance sheets, consolidated statement of income, consolidated statement of comprehensive income, consolidated statements of changes in net assets, consolidated statements of cash flows, material matters that serve as the basis for preparation of consolidated financial statements, other notes, and annexed consolidated detailed schedules, in order to certify the audit pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Milbon Co., Ltd. and its consolidated subsidiaries as of December 31, 2025, and the results of its operations and cash flows for the consolidated fiscal year then ended, in accordance with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in Auditor's Responsibility for the Audit of the Consolidated Financial Statements. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matter

A key audit matter is a matter, in our professional judgments, which is of most significance in our audit of the consolidated financial statements for the current consolidated fiscal year. The key audit matter is addressed in the context of our audit of the consolidated financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of the merchandise and finished goods of Milbon Co., Ltd.	
Description of the key audit matter and reason for determination as key audit matter	How the key audit matter was addressed in the audit
<p>In the consolidated balance sheets for the current fiscal year, 8,001,451 thousand yen has been reported under merchandise and finished goods. Merchandise and finished goods of Milbon Co., Ltd. amounted to 4,805,312 thousand yen.</p> <p>The balance sheet value of merchandise and finished goods was calculated using the inventory write-down method based on decreased profitability, as stated in 4 (1) Valuation standards and methods for significant assets under Significant matters that serve as the basis for preparation of consolidated financial statements.</p> <p>The Company manufactures and sells haircare products, hair coloring products, permanent wave products, etc., and holds various types of merchandise and finished goods. In certain cases, merchandise and finished goods fail to sell as planned and remain due to market demand, competition from peers and other factors.</p> <p>The Company, as stated in its (Significant accounting estimates), has primarily been reducing the carrying amounts of slow-moving inventory that exceeds the planned shipment volume for a certain period. This shipping plan carries uncertainty and may involve subjective judgment of management.</p> <p>We, therefore, determined that the valuation of the merchandise and finished goods of Milbon Co., Ltd. was a particularly important element in the audit of the consolidated financial statements for the current fiscal year and hence a key audit matter.</p>	<p>To verify the validity of the valuation of the merchandise and finished goods, we primarily implemented the following audit procedures.</p> <p>(1) Assessment of internal controls</p> <ul style="list-style-type: none"> • We assessed the status of design and operation of internal controls related to the valuation of slow-moving inventory. <p>(2) Examination of the validity of the valuation of slow-moving inventory</p> <ul style="list-style-type: none"> • We assessed the accuracy of management's estimates by comparing the shipping plan for the previous fiscal year with the actual shipment volume for the current fiscal year and examining the reasons for their differences. • We obtained the shipping plan for each merchandise and finished goods for the following year, questioned management on the risk factors which could impact the achievability of this shipping plan, and assessed the rationality of the shipping plan considering the recent actual shipment volume and sales budget. Regarding growth rates of net sales, we carried out a trend analysis based on past results as well as a comparative study with available outside data. • We verified that the shipping plan for each merchandise and finished goods was consistent with the following year's budget approved by the Board of Directors. • By carrying out a recalculation based on the valuation method used by the Company, we verified the validity of the amount reported as a valuation loss.

Other Information

The other information comprises the information included in the annual securities report other than the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Board Directors' performance of their duties with regard to the design and operation of the reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility in our audit of the consolidated financial statements is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the presentation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of the duties of Executive Officers and Board Directors related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgments in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Plan and implement the audit of the consolidated financial statements in order to obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries that serves as the basis for expressing an opinion on the consolidated financial statements. The auditor is responsible for directing, supervising, and inspecting the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and, if applicable, measures taken to eliminate obstacles or safeguards applied to reduce obstacles to an acceptable level.

From the matters discussed with the Audit & Supervisory Board Members and the Audit & Supervisory Board, the auditor judges the matter that is of most significance in the audit of the consolidated financial statements of the current consolidated fiscal year and determines it as the key audit matter, and describes the matter in the auditor's report. However, in the event that laws and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, the auditor determined that a matter should not be reported in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such report, such matter shall not be described in the report.

<Audit of Internal Control>

Opinion

We have audited the internal control report over financial reporting of Milbon Co., Ltd. as of December 31, 2025 in order to certify the audit pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act.

In our opinion, the report on internal control over financial reporting referred to above, which shows that the internal control over financial reporting of Milbon Co., Ltd. as of December 31, 2025 is effectively maintained, presents fairly, in all material respects, the

results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for the Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibility under the auditing standards for internal control over financial reporting is stated in Auditors' Responsibilities for the Internal Audit. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Member and the Audit & Supervisory Board for Report on Internal Control Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair representation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring and verifying the design and operating status of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility for the Audit of the Internal Control

Our responsibility is to obtain reasonable assurance about whether the internal control report is free from material misstatement, and to express an opinion on the internal control report from an independent standpoint in an audit report on the internal control over financial reporting, based on our audit.

We make professional judgments in the audit process in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. Audit procedures for internal control audits are selected and applied at the auditor's discretion, based on the materiality of the effect on the reliability of financial reporting.
- Examine representations on the scope, procedures, and results of the assessment of internal control over financial reporting made by management, as well as consider the overall presentation of the internal control report.
- Plan and implement the internal control audit in order to obtain sufficient and appropriate audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. The auditor is responsible for directing, supervising, and inspecting the audit of the internal control report, and is solely responsible for the audit opinion.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned internal control audit, the results of internal control audit, material weaknesses identified which should be disclosed, the results of their remediation, and other matters required under the internal control auditing standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and, if applicable, measures taken to eliminate obstacles or safeguards applied to reduce obstacles to an acceptable level.

<Fee-related Information>

The amounts of fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in (3) Audits under 4. Corporate Governance in the Information about Reporting Company section of this annual securities report.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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- (Notes)
1. The above is the digitized form of the matters described in the original audit report, and the original copy is in the custody of the Company (the company submitting the annual securities report).
 2. XBRL data are not in the audit scope of the Independent Auditor.
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Independent Auditor's Report

March 27, 2026

To the Board of Directors of Milbon Co., Ltd.

GYOSEI & CO.
Tokyo Office

Designated partner Engagement partner	Certified public accountant	Toshiya Shinshima
Designated partner Engagement partner	Certified public accountant	Takaaki Hasegawa

<Audit of Financial Statements>

Opinion

We have audited Milbon Co., Ltd.'s financial statements referred to in the Financial Information section of this annual securities report for the fiscal year from January 1, 2025 to December 31, 2025, which comprise the balance sheets, statement of income, statements of changes in net assets, significant accounting policies, other notes, and annexed detailed schedules, in order to certify the audit pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milbon Co., Ltd. as of December 31, 2025, and the results of its operations for the fiscal year then ended, in accordance with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in Auditor's Responsibility for the Audit of the Financial Statements. We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matter

A key audit matter is a matter, in our professional judgments, which is of most significance in our audit of the financial statements for the current fiscal year. The key audit matter is addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on the matter.

Valuation of the merchandise and finished goods of Milbon Co., Ltd.

The description is omitted since it is the same as the description of the key audit matter (Valuation of the merchandise and finished goods of Milbon Co., Ltd.) in the Independent Auditor's Report on the consolidated financial statements.
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Other Information

The other information comprises the information included in the annual securities report other than the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Board Directors' performance of their duties with regard to the design and operation of the reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility in our audit of the financial statements is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statement in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of the duties of Executive Officers and Board Directors related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgments in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements in the audit report, or if the notes to the financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements including related notes, and

whether the financial statements fairly present the transactions and accounting events on which they are based.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence, and if applicable, measures taken to eliminate obstacles or safeguards applied to reduce obstacles to an acceptable level.

From the matters discussed with the Audit & Supervisory Board Members and the Audit & Supervisory Board, the auditor judges the matter that is of most significance in the audit of the financial statements of the current fiscal year and determines it as the key audit matter, and describes the matter in the auditor's report. However, in the event that laws and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, the auditor determined that a matter should not be reported in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such report, such matter shall not be described in the report.

<Fee-related Information>

Fee-related information is as described in the Independent Auditor's Report on the consolidated financial statements.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

(Notes) 1. The above is the digitized form of the matters described in the original audit report, and the original copy is in the custody of the Company (the company submitting the annual securities report).

2. XBRL data are not in the audit scope of the Independent Auditor.